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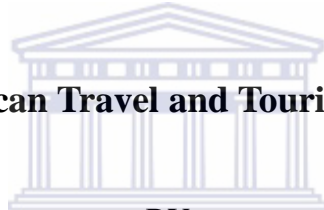
**FACULTY OF**

**ECONOMIC AND MANAGEMENT SCIENCES**



**Key success factors for Internationalised Inbound Tour Operators in the**

**South African Travel and Tourism Industry**



BY

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## Dedication

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I dedicate this dissertation to my family, friends and fellow classmates who have stood by me during the duration of this Masters Program. Their support in the form of words of encouragement and the use of their resources have significantly contributed to my ability to complete this dissertation.



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## Acknowledgement

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## Abstract

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The South African government has earmarked the Travel and Tourism industry as a key sector for economic growth as it plays an important role in stimulating the South African economy. Over the last few years the industry has placed greater emphasis on tour packages being offered to tourists, with one key group, Inbound Tour Operators, emerging to fulfil this important role. However, there have been limited studies conducted in the South African context which aim to isolate generalizable key success factors (KSFs) in the Travel and Tourism sector. By focusing on two important research streams, competitive advantage and international entrepreneurship, this study identified nine main KSFs. These KSFs were developed using Thomas and Long's KSF model (Thomas and Long, 2000). The general research approach was a qualitative, multiple-case study whereby six firms were selected from the inbound tour operator sub-sector of the SA tourism industry. The research methodology used in-depth interviews which were conducted with an industry expert and owner-managers of small, medium and large inbound tour operators, serving and operating in international markets. This helped to gain an understanding of the complex and intricate ways that these firms comprehend KSFs and build their international strategy. As a result of this research approach, it was possible to identify how these KSF variables are influenced through management's decisions and how they essentially affect the overall competitive positions of the various firms in the industry. It also led to novel findings which challenged conventional international entrepreneurship thinking, such as the Uppsala approach, on the basis that firms do not only follow sequential steps when internationalising their businesses. It was found that entrepreneurial firms internationalise their businesses from the outset and extensively leverage off of internet-based technology and utilise export-based activities to engage international markets. The implications of the findings show that existing and new tour operators entering the tourism industry have clear KSFs which they can target in order to achieve success. These factors are variables which management can influence through their decision-making and affect the overall competitive positions of their firm in the industry. Nonetheless, further studies are required to identify KSFs in the other sectors within the tourism industry to provide valuable insights regarding how the international competitiveness of the local tourism industry as a whole may be improved.

*Key words: Key success factors, Inbound Tour Operator, Competitive Strategy, International Strategy, Travel & Tourism*

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# 1. Introduction

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## 1.1 Research Background

Small and Medium Enterprise (SME) development is a key aspect of Government's economic development, poverty alleviation and job creation strategy. Statistics show that the SME sector is a significant contributor to a nation's economic output through the number of business enterprises and employment created (DTI, 2008). Thus, due to its important role, SME development has become an increasingly important focus for governments to promote and improve economic growth.

Despite SMEs fulfilling this critical economic role, high incidents of business failure are recorded within the first 42 months and in South Africa the failure rate is as high as 75% (Olawale, 2010). With low survival levels, it is apparent that new SMEs face a different and more daunting set of challenges as opposed to larger established firms. However, in order for the SME sector to continue fulfilling its role in a country's economy it is important that new SMEs are formed. This highlights the integral role of the entrepreneur as the founder of the organization and the driving force behind the SME's success and growth. Therefore, the role of the entrepreneur is increasingly seen as being fundamental to all aspects of the business, as it sets the direction and tone of an SME's operation (Fadahunsi, 2012).

## 1.2 Context of SMEs in the South African economy

In a South African context, the Global Entrepreneurship Monitor (2013) states that South Africa's nascent entrepreneurship rate of 10.6% is below the GEM average of 34%. In terms of new firm development, despite signs of improvement since 2008, South Africa's rate of 3.9% still remains considerably behind the 5.9% average of all GEM participant countries. It is also ranked 2nd last out of the 59 GEM countries in terms of established business activity with only 0.3% (GEM, 2013). These statistics illustrate the problem of low propensity of entrepreneurship in SA and the inability of newly started SMEs to achieve the established enterprise phase. This may suggest that SMEs are operating at a sub-optimal level, which may be sufficient for survival, but does little to achieve economic development (Thomas and Long, 2000). It is a strong indication for the need for policy intervention geared toward supporting

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and mentoring entrepreneurs in order to produce competitive organizations that are capable of competing on an international level. This notion speaks to two broad contemporary fields of research namely, competitive advantage and international entrepreneurship theory, the latter of which has grown significantly in literature over the past two decades (Jones, Coviello and Tang, 2011; Pereis, et al., 2012). The fundamental essence of this study will therefore look at how competitive advantage, using the Key Success Factor (KSF) approach, influences SME internationalisation. However, in order to follow through on using the KSF approach an industry focus needs to be outlined from the onset. Thus, an emerging key industry in the South African economy, such as the Travel and Tourism industry, will provide an interesting setting within which to research this phenomenon and is discussed in further detail.

### **1.3 Objectives of the Study**

According to the World Travel and Tourism Economic Impact report 2012, SA is experiencing growth in the Travel and Tourism industry. The sector's contribution to the country's GDP has risen by 5.4% from 2011 to 2012 and is expected to continue growing by 4.3% p.a. until 2022 (WTTC, 2012). This shows that the SA Travel and Tourism sector continues to grow despite other sectors and industries experiencing economic decline, which according to industry experts opens up many opportunities for entrepreneurs looking to enter the market. The main objectives of this study can be summarized as follows, to identify what the Key Success Factors (KSFs) for Tour Operators in the SA Travel and Tourism industry are and establish how these KSFs contribute toward Tour Operator firms internationalising their businesses. Emphasis will be on the KSFs as perceived by SMEs and Large Tour Operators within the travel and tourism sector. The study also examines the most commonly adopted internationalisation strategies by tour operator firms and whether they are coherent with the identified KSFs.

Based on the literature review in Chapter 2, as well as considerations of the main research objectives, the research questions of this study have been framed as follows:

- 1. What are the main key success factors for Inbound Tour Operators operating in the SA Travel and Tourism Industry that contribute to firm competitiveness and growth?*
- 2. How do the KSFs vary for Tour Operators at different stages in the growth cycle?*
- 3. How does the international orientation of entrepreneurs / managers influence the internationalisation activities of Tour Operators in the SA Travel and Tourism*

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*sector?*

4. *How do Tour Operators in the SA Travel and Tourism sector internationalise their businesses?*

The first research question addresses the source of competitive advantage and growth by identifying KSFs. The second research question addresses the issue that firms grow at varying rates and may therefore compete on different attributes based on their size. The third research question probes into the possible influence that the international orientation of entrepreneurs / managers has on firms' internationalisation activities. The final research question seeks to identify if Inbound Tour Operators in SA increase their commitment to international sales as they grow and how they then go about internationalising their business. In Chapter 2, it will be discussed how these research questions were formulated within the context of the literature reviewed.

#### **1.4 Basic Structure of the Study**

Chapter 2 provides a logical overview of the Travel and Tourism industry and the various sub-sectors which interlink in order to develop an intricate value chain, with specific focus on the Tour Operator sub-sector. It also introduces an accurate definition of KSFs which often gets convoluted to include variables such as firm internal capabilities or core competencies. This chapter provides a clear focus to avoid making this mistake when researching the KSFs for Tour Operators in the SA Travel and Tourism industry. The review of the literature also highlights the fact that this is a highly under-researched area and therefore suggests an exploratory approach to the inquiry by posing important propositions which assist in developing the fundamental research questions of the study.

Chapter 3 describes the research problem and the research objectives this study focuses on. It also provides the rationale for the chosen research approach and method. Thereafter it discusses the overall research design which is substantiated by previous studies conducted in the field. A discussion follows on the sample selection and the data collection sites, tools and planned analysis that this study uses in order to carry out the investigation. Lastly this chapter describes how this proposed research design will be operationalized, by including definitions of key constructs, instrument design, data variables and measurement indicators, as well as the data protocol used during the data collection process and finally the methods of analysis and



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interpretation.

Chapter 4 consists of the results in relation to the methodology employed. The main findings were summarised and tabulated in tables, where relevant, in order to assist analysis.

Chapter 5 focuses on the analysis of the findings identified in Chapter 4 and provides a meaningful discussion in relation to existing literature. Lastly, Chapter 6 provides an overall summary of the work conducted, revisits the main research objectives, highlights the limitations of the study and provides possible recommendations for future research.

## **1.5 Research Contribution**

The Travel and Tourism industry is one of the largest global industries. In 2012, a meeting of congressional heads of state (G20) recognized the tourism sector as being a catalyst for growth and development with the potential to spur global economic recovery (South African Tourism, 2015). Furthermore, the South African government has earmarked the Travel and Tourism industry as a key sector for economic growth as it plays an important role in stimulating the South African economy. According to the National Tourism Sector Strategy (NTSS 2010), government is targeting tourism's total direct and indirect contribution to the economy to increase from R189 billion (7.9%) in 2009, to R318 billion in 2015, and R499 billion in 2020 (South African Tourism, 2010).

Upon consultation with industry experts it was ascertained that there have been limited studies conducted in the South African context which aim to identify KSFs for the growth and internationalisation of SME Tour Operators in the Travel and Tourism sector. If national government is going to achieve its ambitious targets for the industry as a major contributor to the economy, it would need to ensure that the industry's participants are aware of what variables are required in order to make their businesses internationally competitive and successful.

The results of this study will help fill a gap in the lack of literature regarding KSFs for growth in the sector, and also be of use to Government policy makers and SME managerial staff in their efforts to grow nascent SME businesses in the sector into established enterprises that contribute meaningfully to job creation, economic growth and a more equal distribution of

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income. Furthermore, the results of this study can contribute to filling the gap that despite there being an increasing amount of literature on SME Internationalisation over the past two decades, there is a lack of literature regarding the International Entrepreneurship (IE) activities of service-oriented SMEs, and an even greater lack of IE literature from emerging economies, particularly Africa.



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## 2. Literature Review

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### 2.1 Introduction

The proposed study is informed through two bodies of knowledge, competitive advantage and international entrepreneurship (IE) theory, along with previous studies on SMEs that have sought to identify key success factors (KSFs) for business success. Also, relevant literature regarding the areas of focus: Travel and Tourism; Tourism SME's – Tour Operators; key success factors; growth and SME internationalisation are discussed. This chapter provides a logical overview of the Travel and Tourism industry and the various sub-sectors which interlink in order to develop an intricate value chain, with specific focus on the Tour Operator sub-sector. It also provides a theoretical background to the study and introduces an accurate definition of KSFs which often gets convoluted to include variables such as firm internal capabilities or core competencies. Measurement indicators for KSFs and SME internationalisation are established based on previous empirical studies.

The review of the literature also highlights the fact that this is an under-researched area therefore pertinent propositions are developed in order to provide the underpinning rationale for suitable research questions to be structured as a means of enquiry into the topic. Lastly a conceptual framework is proposed which has been informed by the literature, propositions and research questions.

### 2.2 Industry Background

#### 2.2.1 Travel and Tourism

According to Evans, Campbell and Stonehouse (2003) the travel and tourism industry can be viewed as having five major sectors; namely, accommodation, attractions, transport, travel agencies and destination organizations. These sectors are interdependent as each sector relies on the others, either for customers or services. This places great emphasis on the value chain as a whole when determining the competitiveness of firms operating in the travel and tourism industry (Lee et al. 2011). According to SA Tourism (2010, p. 47) "tourism value-chains are still under-developed and linkages across the industry are still generally fragmented and shallow."

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One of the growing trends over the last two decades has been the growth in the number of Tour Operators in the industry Balderelli (2000). According to Balderelli (2000) and Evans, Campbell and Stonehouse (2003) there has been a greater emphasis placed on tour packages being offered to tourists which involves the organizing and coordination of service providers in the various tourism sectors such as transport; attractions and accommodation into a consolidated product offering. This role has been fulfilled mainly by the Tour Operators and Travel agents sector and will form the focus of this study.

### **2.2.2 Tourism SME classification in SA**

Firstly, the National Small Business Act of 1996 defines a ‘small business’ as follows:

*... a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy mentioned in column I of the Schedule. (DTI, 2008, p.2)*

According to Rogerson (2008) a ‘Tourism SME’ is an SME which operates in the travel and tourism industry in any of the following sub-sectors: accommodation (bed and breakfasts, guest houses, hotels, etc.), hospitality (restaurants, catering, tourist attractions and arts and crafts) and travel distribution (travel agencies, tour operators, transport and tour guides). In practice, SMEs are defined in a number of different ways, generally with reference either to the number of employees or to turnover bands or a combination of both (SEDA, 2013). The threshold for the Tourism Services sector according to the number of Employees is: Micro – 5; Very Small – 20; Small – 50; Medium – 200. According to Annual Turnover (Less than): Micro – R 200,000; Very Small – R 5100,000; Small – R 6000,000; Medium – R 13,000,000, (DTI, 2008). SMEs in the travel and tourism industry are generally small in size and according to Balderelli (2000) most tour operator and travel agency SMEs have an average of six to eight employees. Fadahunsi (2012) states that SMEs tend to have relatively simpler and flexible structures that help simplify their management processes and that typically only a few people (or even just the business owner) are involved in the decision-making process. It is also noted that the entrepreneur / founder of a small firm is the ultimate strategic decision-maker (Lloyd-Reason and Mughan, 2002). Therefore, the Tour Operator firms will form the unit of analysis for this study, with the entrepreneurs and managers responsible for strategic decisions, being the key respondents.

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## 2.3 Theoretical Background

### 2.3.1 Competitive Advantage Perspectives

There have been many attempts by authors to define competitive advantage since the concept was first introduced by Porter (1985). Barney (1991, p. 102) defines it as “a firm that is implementing a value-creating strategy not simultaneously implemented by any current or potential competitor”. Peteraf (1993, p.180) describes it as “firms with superior resources will earn rents...Earnings in excess of break-even”. Kay (1993, p.14) defines competitive advantage as “a distinctive capability that is applied in an industry or brought to a market”.

As a result of these varying definitions of competitive advantage, there are two main streams of research that dominate competitive advantage literature which cover both internal and external attributes of a firm. These are the activity-position view and the resource-based view.

#### *Activity-position view*

This perspective is an industry-level view (Wu, 2013) and is characterized by its focus on the external environment (Jørgensen, 2008). The fundamentals of this perspective stem from the earlier works of Porter (1980, 1985 & 1991) which view competitive advantage as the heart of a firm’s performance in competitive markets and is based on how a firm implements generic strategies that create value for its customers. In order for a firm to be able to achieve competitive advantage it needs to understand the rules of competition in its industry before a competitive strategy can be implemented. For this purpose, Porter (1985) devised the analytical framework called the *five competitive forces model* which states that in any industry, whether domestic or international or if it produces a product or a service, the rules of competition are embodied in the factors of: entry of new competitors; threat of substitutes; bargaining power of buyers; bargaining power of suppliers and the rivalry among existing competitors. It is the collective strength of these forces which determine a firm’s ability in an industry to achieve superior financial returns over the long run in comparison to its rivals (Ghemawat and Rivkin, 2001, p.49).

The activity-position view therefore contrasts the opposing resource-based view by applying a focus on the external environment. According to Porter (1991) a resource on its own is not enough to achieve competitive advantage but rather finds its competitive value if it supports a favourable competitive position for the firm. In other words, the emphasis should be on well-

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organized strategic positions and activities, rather than an individual activity or resource (Wu, 2013). Thus, a discussion is warranted of the resource-based view and the reasons why it will not be considered as a focal point in this study.

### ***Resource-based view***

The resource-based view contrasts the activity-position view. According to Grant (1991, p.116), “resources and capabilities are the foundation of a firm’s strategy. These resources and capabilities provide the basic direction for a firm’s strategy and are the primary source of profit”. However, there is a distinction between a resource and a capability. Grant (1991, p.119) states that “a resource is an input into the production or service process, such as equipment and employees’ skills but a capability is the capacity of a team of resources to perform a task or activity”. According to Long and Vickers-Koch (1995) a firm’s distinctive capabilities form the source of a firm’s competitive advantage, as they are the most distinctive tasks and activities a company enacts and are the most difficult to imitate. However it must be mentioned that these resource-based view concepts of resources and distinctive capabilities are explicitly distinct from the concept of Key Success Factors (KSFs) as attributed to previous authors (Hofer and Schendel, 1978; Sousa and Hambrick, 1989; Grunert and Ellegaard, 1992) and therefore they will not form part of the focus of this study, because the primary research focus is on ‘what are the main KSFs for Inbound Tour Operators operating in the SA Travel and Tourism Industry?’

According to Fitzgerald et al. (1991) a firm’s performance and competitiveness can be conceptualized by considering determinant factors, “i.e. those factors that contribute to prosperity”, such as service quality, and resultant factors such as financial performance. The determinant factors, i.e. KSFs are the critical variables that ensure the long-term competitiveness of organizations and will thus be a suitable departure point for this study.

### **2.3.2 Conceptualizing Key Success Factors**

According to Lee et al. (2011) key success factors (KSFs) can have a great impact on the degree of a firm’s competitiveness. Therefore, obtaining a grasp of the KSFs and their potential for creating competitive advantage in the Travel and Tourism industry in SA is critical and is the focus of this study. When discussing KSFs which contribute to a firm’s business success, it is

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important to gain a proper strategic understanding of the concept of KSFs.

The term “Key Success Factors” was first coined by Hofer and Schendel in 1978 and is defined as “those variables which management can influence through its decisions that can affect significantly the overall competitive positions of the various firms in the industry” (Hofer and Schendel, 1978. p. 77). Furthermore, they state that these factors are derived from the interaction of two sets of variables, namely, the economic and technological characteristics of the industry involved and the competitive attributes upon which the various firms in the industry build their strategies.

Other authors define key success factors as “those tasks or attributes which are specifically mandated by the industry’s task environment” (Sousa and Hambrick, 1989, p. 367). In other words KSFs are those functions, activities or business practices, defined by the market and as viewed by the customer that are critical to the vendor/customer relationship (Sousa and Hambrick, 1989). KSFs are defined by the market and by the customer, not by the company, and are industry-specific, revolving around skills, processes and systems (Dix and Mathews, 2003).

Grunert and Ellegaard define KSFs as “a skill or resource that a business can invest in, which, in the market the business is operating in, explains a major part of the observable differences in perceived value and/or relative costs” (1992, p. 17). They explain KSFs as having the following characteristics: a skill or a resource of the business that is always actionable; it is market-specific; small in number as only a small number of factors can explain a “major part” of the variance in perceived value and/or relative cost and it implies a causal relationship between a skill/resource and perceived value and/or relative cost (Grunert and Ellegaard, 1992).

A table summarising the important definitions of KSFs is provided below. This assisted in the development of the interview tool used to question research participants on their perception of the KSFs pertinent to the tour operator segment of the tourism industry.

**Table 1. A summary of important definitions of Key Success Factors**

<b>Author/s</b>	<b>Year</b>	<b>Definition</b>
<b>Hofer and Schendel</b>	<b>1978</b>	Those variables which management can influence through its decisions that can affect significantly the overall competitive positions of the various firms in the industry, namely, the economic and technological characteristics of the industry involved and the competitive attributes upon which the various firms in the industry build their strategies.
<b>Sousa and Hambrick</b>	<b>1989</b>	Those tasks or attributes which are specifically mandated by the industry's task environment. In other words KSFs are those functions, activities or business practices, defined by the market and as viewed by the customer that is critical to the vendor/customer relationship.
<b>Grunert and Ellegaard</b>	<b>1992</b>	A skill or resource that a business can invest in, which, in the market the business is operating in, explains a major part of the observable differences in perceived value and/or relative costs - a skill or a resource of the business that is always actionable; it is market-specific; small in number as only a small number of factors can explain a "major part" of the variance in perceived value and/or relative cost and it implies a causal relationship between a skill/resource and perceived value and/or relative cost

These definitions allude to a common notion that KSFs are closely related to the external market environment and hence the activity-position view of competitive advantage. Also, Greiner (1972), states that the speed at which an organization experiences phases of growth is closely related to the external market environment of its industry. Hence it can be posited that KSFs stand in unique relation to the growth experienced by firms in a particular market environment.



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### **2.3.3 External environment**

Greiner (1972), states that the speed at which an organization experiences phases of growth is closely related to the external market environment of its industry. Industry factors such as high demand conditions, industry growth & maturity also impact on the growth of firms. It is therefore important for a SME to develop an understanding of these economic and market variables in their sector and how they impact on the growth. An illustration of this could be that availability of specialized or skilled labour may be a KSF, especially for SMEs that compete on the basis of some form of technological advantage. Evans, Campbell and Stonehouse (2003) state that one of the most important tasks in the travel and tourism industry is the management of the guest-employee encounter, with the following key factors being important: the abilities and knowledge of individuals servicing customers; the ability of the individuals to learn and their ability to adapt to change. In essence it is service quality which is paramount in this industry.

### **2.3.4 Competitiveness of firms**

According to Fitzgerald et al. (1991) a firm's performance and competitiveness can be conceptualized by considering determinant factors, "i.e. those factors that contribute to prosperity", such as service quality, and resultant factors such as financial performance. The determinant factors, i.e. KSFs are the critical variables that ensure the long-term competitiveness of organisations and will thus be a suitable departure point for this study.

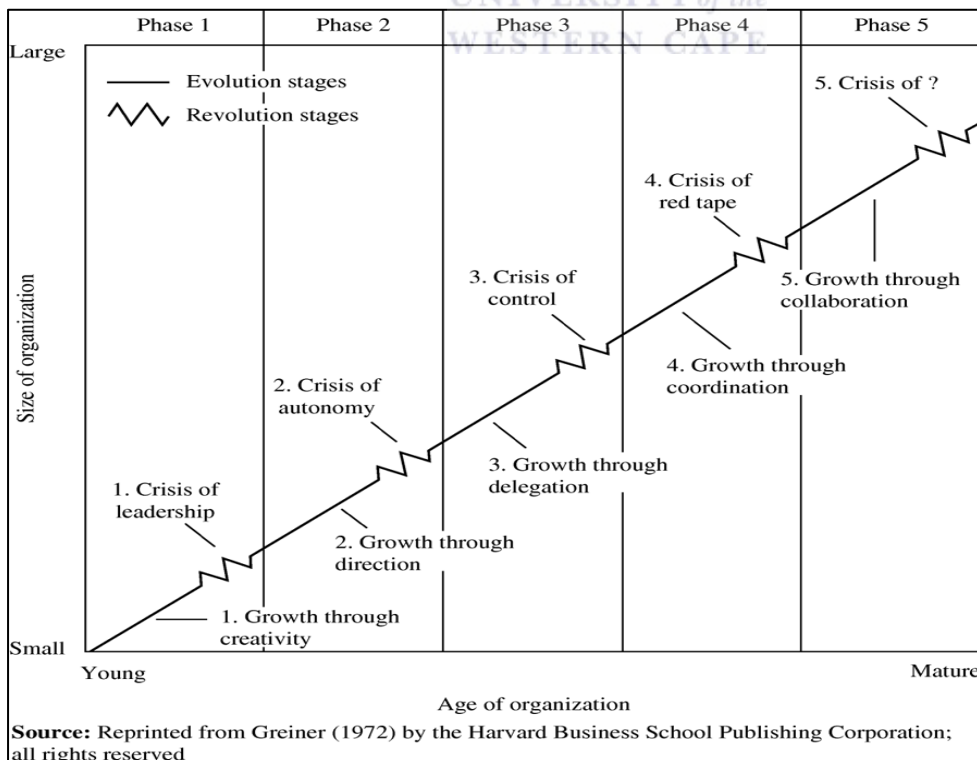
In accordance with Hofer and Schendel's (1978) definition of KSF's, which highlights the importance of the economic and technological characteristics of an industry, it is also worthwhile noting that technological competitive advantages along with superior strategic strategies initiated by the entrepreneur allow a firm to capitalise on market opportunities and respond to external factors (Kohn, 1997). This suggests that firms first develop a source of competitive advantage locally by achieving KSFs before embarking on an internationalisation strategy. This research study will seek to identify if this sentiment holds in the SA Travel and Tourism industry by asking the following propositional question: *Do Tour Operators in the SA Travel and Tourism industry develop a source of competitive advantage locally by achieving KSFs before internationalising?*

### 2.3.5 Conceptualizing Business Growth

O’Gorman (2001) states that, within the SME context, entrepreneurs (firm founders/owners) or managers will pursue superior competitive strategies or manage the transition through the various stages of development in order to achieve growth and overcome the barriers thereto. A different definition proposed by Soinenen (2011) is firm growth is seen as a firm’s ability to increase revenues and profitability.

Growth by its nature is not a stagnant process but rather progressive. Earlier work by Greiner (1972) which focuses on the developmental phases of organisations, states that the growth of an organisation can be viewed as evolutionary and essentially occurs in five stages. The first stage being ‘growth through creativity’, then ‘growth through direction’, followed by ‘growth through delegation’, ‘growth through coordination’, and finally ‘growth through collaboration’. These various growth stages posited by Greiner (1972) also infer that a particular management style accompanies each stage of growth. This therefore suggests that managers of firms which are at different stages in the growth cycle will most likely perceive KSFs in their industry somewhat differently to their respective competitors which are at a different growth stage, i.e. firm size, to them.

**Figure 1. An illustration of the Five Phases of Growth.**



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O’Gorman (2001) states that the combination of the key strategic management choices made, as to where and how to compete during these different stages is where sustainability of growth can be found. It is clear that firms grow at differing rates even in high growth industries. Much of this is attributed to the superior competitive strategies adopted by some firms which can result in higher growth than competitors.

According to Lamprecht (2011) one way that SMEs can become strong and grow is through internationalisation. This suggests that as firms grow they increase their commitment to international activities. Similarly, this study will seek to establish if Inbound Tour Operators in the SA Travel and Tourism industry increase their commitment to international sales as they grow. For this to be achieved a meaningful understanding of SME internationalisation needs to be developed in order to contextualize the international activities of Tour Operators in the SA Travel and Tourism industry.

### **2.3.6 SME Internationalisation**

SME Internationalisation is a rapidly growing field of study and was first defined by Oviatt and McDougall (1994, p.49) who describe it under the term, International New Venture (INV), which is “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries”. In addition, over the last few years, there have also been noticeable advances in telecommunications and transportation which are enabling firms to internationalise at a faster pace than ever before (Mtigwe, 2005). Therefore, during the past two decades the interest in international operations of SMEs by entrepreneurs, investors, policy-makers and researchers has grown (Amal and Filho, 2010). Increasingly there is also the realization that SMEs are no longer as constrained by lack of resources and experience in entering international markets as has previously been the case (Mtigwe, 2005).

#### ***International Entrepreneurship***

One of the main factors affecting internationalisation of SMEs is International Entrepreneurship. McDougall and Oviatt (2000, p.903) describe it as a “managerial value creation process, which entails an entrepreneur engaging in innovative, proactive, calculated risk-taking behaviour with the purpose of capitalizing on foreign business opportunities”. Over the past two decades there has been a rapidly accumulating body of knowledge on this complex

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phenomena (Jones, Caviello and Tang, 2011), with a greater focus on internationally active SMEs taking center stage and adopting the name, Born Globals (BGs).

However, despite there being an increasing amount of literature on International Entrepreneurship, the literature has mainly stemmed from the original definition of an International New Venture (INV) by Oviatt and McDougall (1994, p.49), which describes it as “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries”. According to Gassmann and Keupp (2007) this definition has resulted in certain perspectives missing. Namely, actual competitive advantage generation as opposed to just identifying resources and environmental trends that most favour the development of SMEs toward BGs and a service-oriented perspective as opposed to the export-oriented view which has largely dominated literature due to Oviatt and McDougall’s definition focusing on the “*sale of outputs in multiple countries*”. Despite there being an increasing amount of literature on SME Internationalisation over recent years, not much literature exists on how service-oriented firms, such as those firms in the Travel and Tourism industry, internationalise their businesses.

International Entrepreneurial Orientation (IEO) is another important factor which influences SME internationalisation and refers to the level of openness to foreign culture and willingness of an owner-manager to embark on internationalisation and activities in foreign markets (Lloyd-Reason and Mughan, 2002). They identify that in order for an SME to adopt a global strategy it also needs to meet certain Internationalisation Processes – a) developing a source of competitive advantage locally; b) Increased commitment to International Sales; c) establishing & cultivating a number of relationships & networks abroad.

From the investigation of the literature on SME internationalisation and for purposes of this study it is relevant to ask: *How do Tour Operators in the SA Travel and Tourism sector internationalise their business and do they adopt an international culture by cultivating relationships & networks abroad?*

## **2.4 Linkage between competitive advantage and international entrepreneurship**

This study explores the linkage between competitive advantage and international

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entrepreneurship (IE) by focusing on how competitive advantage, as operationalized under the activity-position view, influences the internationalisation of BGs. It also addresses the literature gap identified by Gassmann and Keupp (2007, p.216) that “little is known about how BGs ensure their competitive advantage”. Thus, it seeks to identify the KSFs of BGs for the generation of competitive advantage in a specific industry, the Travel and Tourism industry. Furthermore, research of this nature is in line with the current trend of IE studies which focuses on BGs, in that we still do not completely understand elements of the international competitive advantage of BGs (Gassmann and Keupp, 2007).

Another important contribution that this study makes is that majority of the IE literature covers export behaviour of manufacturing SMEs (BGs) and not service-oriented BGs (Peiris et. al., 2012). By focusing the study on a service-oriented industry it will hopefully shed some light on the international entrepreneurship activities of service-oriented BGs.

Lastly, it is worthwhile noting that the majority of IE literature can be attributed to four regions, namely, North America, Europe, Asia and Australasia (Peiris et. al., 2012) with a significantly small contribution arising from emerging markets, especially Africa. By focusing this study on the South African Travel and Tourism industry, which is in an emerging market and an African country, some contribution can be made toward filling this gap.

## **2.5 Conclusion**

A review of the literature highlights that in the Travel and Tourism industry there is a clear external analysis of the market environment and internal analysis of a firm’s resources and capabilities required when determining the competitive advantage in the various subsectors. It is also evident that this competitive advantage plays a large role in SMEs’ impetus to internationalise. The KSF approach adopted in this research study provides a good starting point to identify what the competitive attributes are for firms within the specific industry to build their competitive strategies on.

However, beyond the theoretical arguments suggested by the propositions proposed after reviewing the relevant literature, there is little known about the KSFs in the SA Travel and Tourism industry and how they contribute to firm competitive advantage. Since so little sector-specific information is available, it is not viable to develop testable hypotheses but rather more appropriate to develop a set of exploratory research questions. The first of these research questions being,

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***RQ1. What are the main key success factors for Inbound Tour Operators operating in the SA Travel and Tourism sector that contribute to firm competitiveness and growth?***

Next, the literature on firm growth highlights that firms grow at varying rates and operate at different sizes. By utilizing the *five phases of growth model* of Greiner (1972), we can infer that managers of firms which are at different stages in the growth cycle will most likely perceive KSFs in their industry somewhat differently to their respective competitors which are at a different growth stage, i.e. firm size, to them. Therefore, the following research question can be asked,

***RQ2. How do the KSFs vary for Tour Operators at different stages in the growth cycle?***

A critical aspect when looking at the competitive scope of businesses in a particular industry, is to evaluate the geographic scope of firms as well. The SME internationalisation literature states that in order for a SME to adopt a global strategy it needs to cultivate and establish networks and contacts abroad in other foreign markets. This particular aspect of internationalisation hinges importantly on the entrepreneur or manager's demeanour and openness toward interacting with foreign participants. Thus, the following research question warrants exploration.

***RQ3. How does the international orientation of entrepreneurs / managers influence the internationalisation activities of Tour Operators in the SA Travel and Tourism sector?***

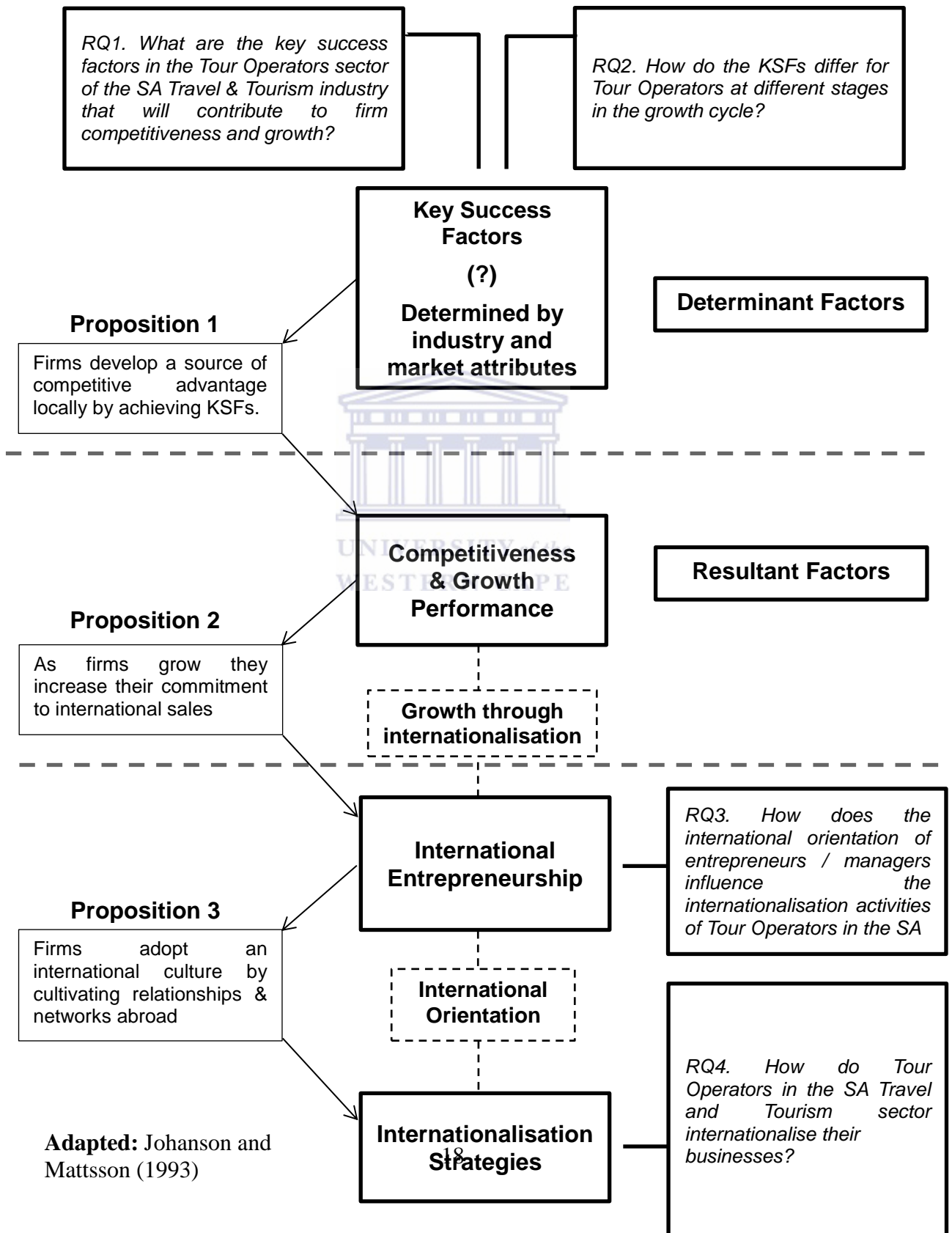
Lastly, not much is known about how these KSFs influence the internationalisation activities of firms operating in this sector, nor is there much literature on the internationalisation strategies of firms operating specifically in the Travel and Tourism industry. Hence the following research question is important.

***RQ4. How do Tour Operators in the SA Travel and Tourism sector internationalise their businesses?***

These four research questions will be used in developing a theoretical framework to guide this study, as depicted in the diagram which follows.

## 2.6. Theoretical Framework

**Figure 2. Key success factors as determinants for firm growth & internationalisation in Tour Operator firms in the SA Travel and Tourism Sector**





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## 3. Research Methodology

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### 3.1 Approach of the Research

The objective of this study aimed to identify key success factors (KSFs) for business competitiveness and growth of Inbound Tour Operator firms operating in the SA Travel and Tourism industry based on the following research questions. *What are the main key success factors for Tour Operators operating in the SA Travel and Tourism Industry that contribute to firm competitiveness and growth? How do these KSFs vary for Tour Operators at different stages in growth / size? How does the international orientation of entrepreneurs / managers influence the internationalisation activities of Tour Operators in the SA Travel and Tourism sector? How do Tour Operators in the SA Travel and Tourism sector internationalise their business?*

A theoretical review into the topic of firm competitiveness built on achieving KSFs and SME internationalisation, highlighted that there are complex and intricate ways that firms comprehend KSFs. The nature and complexity of the research topic hence required an up-close and in-depth understanding of the phenomenon in its real-world setting. This led to the philosophical inquiry into how firms actually comprehend the KSFs required for competitive advantage and go about internationalising their operations. Therefore, based on the nature of the research questions being asked it was appropriate to turn to the case study method to provide the “rich descriptions and insightful explanations” in providing a response (Yin, 2011, p.5). This chapter provides an overview of the research design, method, procedures and the data protocols used to enhance reliability and validity. It also highlights the inherent limitations of the study as well.

### 3.2 Research Design

#### *Theoretical Rationale*

According to Yin (2009) case study research is used in many situations as a means to contribute to knowledge of individual, group, social, organisational or other phenomena, especially when there is a need to understand a complex social phenomenon. Eisenhardt (1989) adds that case studies can be used to achieve various aims, such as provide description, facilitate theory testing or generate theory.



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A review of previous literature (Thomas and Long, 2000; Tribe, 2008; Lee, et al. 2011) highlighted that not much literature exists regarding the topics of KSFs and internationalisation of firms specifically operating in the Travel and Tourism industry. This suggested that a theory generating (Eisenhardt, 1989) approach would be suitable for conducting an inquiry into the research topic as there were no testable hypotheses developed in previous literature.

The form and complexity of the research questions suggested that the nature of the inquiry would require an in depth understanding of the phenomena of KSFs and Tourism SME internationalisation. The research questions primarily focused on “what” and “how” questions and according to Yin (2009) a “what” question can be exploratory when the goal is to develop pertinent hypotheses and propositions for further enquiry. Furthermore, the “how” questions seek to identify operational links that need to be “traced over a period of time, rather than mere frequencies or incidence” (Yin, 2009, p. 9) and thereby warrant a case study approach.

### ***Empirical Rationale***

Similar previous studies (Thomas and Long, 2000; Bell, Crick and Young, 2004) all used the qualitative multiple-case study approach to respectively explore KSFs in the tourism industry and the relationship between business strategy and small firm internationalisation. The use of the multiple-case study design allowed them to examine the complex relationships between firms and their social networks. The research approach selected in this study was also consistent with a growing trend towards qualitative methods in empirical enquiries related to marketing, entrepreneurship and SME internationalisation (Bell, Crick and Young, 2004, p.30).

## **3.3 Research Method**

Thomas and Long (2000) were of the opinion that a purely quantitative analysis would possibly fail to capture the complex and intricate ways that firms comprehend KSFs and therefore proposed qualitative interviews as a more suitable method for conducting research about KSFs. Thus, in accordance with the approach proposed by Thomas & Long (2000), this study sought to follow their case study methodology toward collecting and analysing empirical data. Furthermore, considering that not many empirical studies have been conducted to identify KSFs for the travel and tourism industry in a South African context, it would therefore be plausible to adopt an exploratory approach toward this study in order to discover ideas and insights from industry participants.

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The multiple-case study method followed two stages. Firstly, an interview was conducted with an industry expert to research the economic and technological characteristics of the industry involved and the competitive attributes upon which the various firms in the industry have built their strategies (Hofer and Schendel, 1978; Thomas and Long, 2000). Thereafter, a pilot case was tested and adjustments to the interview protocol were made. Data was then collected from Inbound Tour Operators (Large and SMEs) that met the case selection criteria in order to ensure the relevance and applicability of the collected data. By studying firms of different sizes, it was possible to compare the characteristics identified in the small and medium tour operators to those identified in the large firms, who presumably are perceived to be more successful. This provided a useful benchmark when the analysis of the cases was done.

### **3.4 Participation Selection**

A purposive sample of firms was used in the multi-case study. The criteria for selecting cases (firms) were as follows: small, medium and large sized firms operating in the Tour operator sub-sector of the SA travel and tourism industry. These firms must have been in operation for more than 36 months; with more than five employees to two hundred employees or more according to the DTI (2008). the Tourism Services sector categorizes firms according to the number of employees as follows: Micro – 5; Very Small – 20; Small – 50; Medium – 200; Large – 500. These firms should also be operating in international markets through serving foreigners, international tourists, or have established operations in foreign countries. In determining the sample size of cases, consideration was given to the five major sub-sectors of the Travel and Tourism industry as identified by Evans, Campbell and Stonehouse (2003), namely: Accommodation sector; Attractions sector; Transport sector; Travel Organisers sector and Destination Organisation sector.

A similar study conducted by Thomas & Long (2000) had a sample size of twenty-seven cases which covered all five major sub-sectors. As this study only focused on one sub-sector, Inbound Tour Operators (Travel Organizer), it was suitable to have six cases with two firms from each size classification being selected, so as to achieve a broader perspective of KSFs and also provide a useful comparison when benchmarking small and medium size firms to their larger, more successful counterparts.

In determining the unit of analysis that was appropriate for this study, Grunert (1992) states that perceived KSFs can be measured by semi-structured interviews, following a laddering

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procedure, with company executives who are responsible for the decision-making process. Therefore, entrepreneurs and managers of the selected tour operator firms formed the unit of analysis.

### **3.5 Data collection sites, tools and planned analysis**

A theoretical sample (Eisenhardt, 1989) of cases was selected for the multi-case study, with the target population being inbound tour operators registered in South Africa. The sample frame derived therefrom consisted of tour operator firms that were operational throughout the country and abroad. The sample of six firms were derived from the author's industry experience and personal contacts within the Tourism industry, as well as from directories of government regulatory bodies such as the Tourism Business Council of SA (TBCSA) and the Southern African Tourism Services Association (SATSA). Where possible, secondary contextual data was collected on the case companies by using extensive online web-searches of the companies' website, annual reports and other available company documents.

The information obtained through preliminary interviews with industry experts and key informants were used to assist in developing the data collection tool, which was an interview script as part of a Case Study Protocol (Yin, 2011). Thereby, open-ended interviews were conducted to collect qualitative data. These interviews, with permission of the respondent, were recorded and transcribed to assist with further analysis.

### **3.6 Interview Framework**

As there was not much empirical literature available on KSFs for the tourism industry, instrument development was informed by qualitative research. This took the form of a preliminary interview with an industry expert to research the economic and technological characteristics of the industry and the competitive attributes upon which the various firms in the industry build their strategies (Hofer and Schendel, 1978). This assisted in developing an interview framework based on the fundamental research questions, "*What are the main key success factors for Tour Operators that contribute to firm competitiveness and growth? How do Tour Operators at different stages in growth / size perceive KSFs? How does the attitude of entrepreneurs / managers toward international activities influence on how successfully Tour Operators internationalise their business?*", *How do Tour Operators internationalise their business?* so as to ensure that the same main questions are covered in each case. However, at the same time the interviews were not bound only to these questions but rather allowed freedom

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to collect more information by asking unprepared questions and adopting a laddering or probing technique where suitable. The interviews were in-depth and semi-structured and conducted in a manner which allowed further important information to emerge from the respondents.

### **3.7 Interview Protocol**

According to Jacob (2012) an interview protocol is more than a list of interview questions as it also lays out the procedures that the researcher would follow before and after an interview is conducted. It also includes prompts for the collection of informed consent and provides a guideline to remind the interviewer of the information that is of interest to the research project.

The protocol followed in this research study started with contacting participants via e-mail, whereby they were sent a brief description of the research as well as a summary of the research proposal. Subsequent telephonic correspondence was used to arrange times and places for meeting and assisted in building initial rapport with respondents. All interviews were conducted face-to-face either at the respondent's office, home or a neutral place as agreed upon, as long as it is quiet enough to conduct the interview. The interviews were recorded with the use of a laptop after obtaining the respondent's informed consent to proceed in this manner and then transcribed shortly thereafter.

### **3.8 Data Analysis**

#### *i). Within (Single) Case Analysis*

According to Paterson (2010) within-case analysis is the in-depth exploration of a single case as an individual entity. This entails an intimate familiarization of a particular case in order to gain insight into how the processes or patterns that are revealed in the case either support, refute or expand a theory or the propositions derived from the literature review (Patterson, 2010). In order to gain this intimate familiarization with each case, each recorded interview was transcribed, read and analysed.

From this followed a within-case analysis which involved a detailed case study write-up for each site. These write-ups were simple pure descriptions, but were central to the generation of insight (Eisenhardt, 1989). Thereafter content analysis of individual case data was used as a basis for cross-case analysis.

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### ***Content Analysis***

Content analysis was a useful tool for analysing data generated in the case study research. According to Kohlbacher (2006) one of its strengths is the way it attempts to synthesize openness and theory-guided investigation. This aided the analysis process as it provided a stringent methodological process whereby the data was analysed step-by-step, fostering a strong ability to contend with the complexity of case study data material. It entailed determining the presence of certain words, concepts or themes in textual evidence and then quantified them in an objective manner. The text was thus coded or broken down into manageable categories, as a reduction technique, and examined using conceptual or relational analysis. In this study, conceptual analysis was used to examine the presence of certain concepts and identify insights related to the research questions.

#### ***ii). Cross Case Analysis***

Cross-case analysis enhanced the probability of capturing novel findings which existed in the data (Eisenhardt, 1989). There were numerous ways to conduct cross case analyses. These included the selection of categories or dimensions and then looking for within-group similarities and intergroup differences. Or selecting pairs of cases and then listing the similarities and differences between each pair. Lastly, cases could be analysed according to data source, such as observational data versus interview data or questionnaire evidence. For purposes of this study, comparative cross-case analysis was used whereby pairs of cases were analysed under the concepts developed from the content analysis. This led to finding differences which broke simplistic frames or similarities which resulted in more sophisticated understanding (Eisenhardt, 1989).

Finally, when analysing the data derived from the multi-method case-study, the analysis methods of pattern-matching and analytic generalization was used. According to Yin (2011), a pattern-matching logic enables comparison between the empirical findings of the case-study and a predicted one, such as one devised in the proposed model in the literature review.

## **3.9 Quality Criteria**

### ***Reliability***

According to Lee and Lings (2008) reliability in qualitative data analysis concerns the manner in which raw data collected is transformed into an analysable format. This includes procedures such as transcribing and coding. Furthermore, Bryman and Bell (2007) state that in order to be

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able to assess the reliability of a measure of a concept the methodology and procedures need to be replicable. In this study, the consistent application of the case study protocol (Appendix 1) was instrumental in achieving this measure of reliability. It ensured the process and procedures used for data collection from each case was easily repeatable. Thereafter analysis of each case was guided using a comprehensive coding list (Appendix 3). The outcome thereof allowed for easier comparison of the cases.

### ***Validity***

The issue of validity is concerned with how well the conclusions reflect the data from whence they were drawn, i.e. are the conclusions justifiable? (Lee and Lings, 2008). This reiterates what LeCompte and Goetz (1982) refer to as internal validity, which is described as being a good match between the data and the theories derived therefrom. In this study, the data collected through the use of the case study protocol provided a good match with the conceptual themes, categories and sub-categories developed using content analysis. This study also demonstrated external validity through the applicability of the findings to the phenomenon in its social setting. The findings of this study truly depicted the real-world circumstances surrounding the KSFs that inbound tour operators focus on to build their competitive advantage.

## **3.10 Research Limitations**

There has been much debate over the validity of using case study methodology as a scientific form of generating theory. According to Flyvberg (2006) a fundamental misconception by critics is seen in the conventional wisdom that case study research cannot provide reliable information about the broader class or population. And hence the biggest limitation of this kind of research strategy is often seen as the lack of generalisation of the conclusions. However, proponents of case study methodology (Eisenhardt, 1989; Yin, 2009; Flyvberg, 2006) state that to use this misconception as a limitation of case study is to miss the point entirely of doing case study research.

Another limitation often cited by critics is that the ability of case studies to build theory is limited by the preconceptions of the researcher carrying out the case study. The subjective nature of this form of research is said to introduce bias and limit the results to what the researcher hopes to find as opposed to what the empirical data actually alludes to. However, Eisenhardt (1989, p.546) and Flyvberg (2006) both address this by stating that the juxtaposition

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of conflicting realities among cases, as no two cases will be utterly identical, forces the researcher to find similarities and differences between cases and thus tends to “unfreeze” thinking to allow for theory generation which has less researcher bias.

Collecting rich data using interviews, observations and secondary sources and the iterative process of case study research may be more time-consuming than just conducting surveys and also more difficult to analyse. In order to deal with the time constraints associated with case study research it was important to implement a strict research program with a carefully laid out timeline with deadlines for the completion of pertinent components of the research.

Case study research focuses on many more variables of interest than a few data points. It uses an essential tactic of collecting multiple sources of evidence with data converging to achieve triangulation, (Yin, 2009). This particular study’s research design does not cater for any quantitative data to be collected but rather only focuses on qualitative interviews and observational data. This reduced the level of triangulation that could be achieved by using two strands of data instead and could be considered to render the findings somewhat weak in evidential support for any propositions that may be derived from the case studies.

Lastly, due to the nature of the information that was gathered from company entrepreneurs and managers, there was the potential that the results might be biased in disclosing some of the research issues, as respondents did not want to divulge the full truth regarding company-sensitive information.

### **3.11 Ethical Considerations**

#### ***Research Strategy***

The research approach for this study was a qualitative approach in which qualitative data was collected and analysed for the purposes of addressing the research questions.

#### ***Ethical Implications of Research Strategy***

The chosen research approach brought with it certain ethical considerations. In the research design chapter, it was outlined that a multi-case study informed by expert opinion, was used to collect data. Before commencing with the case study, a semi-structured interview with a



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Tourism industry expert was conducted in which qualitative data was gathered to help inform the research framework on the KSFs of the industry. In the semi-structured interviews with entrepreneurs / managers of Tour Operator firms, important company information was provided by participants therefore informed consent was sought, along with anonymity and confidentiality assured.

### **3.12 Conclusion**

The case study research design, method and analysis proved to be suitable for this study and was in line with previous literature in which similar studies (Thomas and Long, 2000; Bell, Crick & Young, 2004) were conducted. Although, Lee, San and Hsu (2011) applied a different research design and method called Fuzzy Delphi Method and Fuzzy Hierarchical Analysis. The results of the varying techniques yielded findings which are comparable and in many instances, support each other. The consistent application of the data collection procedures provides confidence in the reliability of the findings. Also, the insightful explanations and rationale behind the decision-making of owners and managers of inbound tour operators provided strong support for the conclusions that were drawn therefrom. The research process enabled the research questions to be adequately answered and the objectives of the study to be met.



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## 4. Findings & Data presentation

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### 4.1 Introduction

This chapter aims to provide a detailed description of the outcomes achieved through the research process. Qualitative evidence was gathered by conducting interviews with founders or senior managers of key inbound tour operators in the SA Travel and Tourism industry and augmented with secondary evidence gathered through observation and scrutiny of company documents and websites. The nature of the evidence is dense but provides rich and insightful explanations as to how some inbound tour operators within the industry have crafted and executed their business's competitive strategy over time to become key participants in a growing industry.

A brief description of the SA travel and tourism industry is garnished through the use of expert opinion and acts as a primer to the actual findings presented on the case companies. A selection of six companies was made using pre-determined criteria developed through literature and industry experience, which was highlighted in the previous chapter. A descriptive summary is provided for each case company to assist in providing context for the evidence obtained using within-case analysis (Paterson, 2010) and cross-case analysis (Eisenhardt, 1989), which enhanced the ability to identify novel findings in the data.

At the heart of the research process is the qualitative design of the study and the assessment tool used to collect the data. The preliminary interview with an industry expert and pilot case assisted in adapting the interview script, initially derived from Bell, Crick and Young (2004). This tool was then successfully used to interview the owner-managers of the case companies. This process is shown to be easily repeatable as the method of data collection and analysis are grounded in literature. This chapter also demonstrates the validity of the data collected as the findings truly represent the phenomenon under investigation and support the objectives of the study, which is to identify the main KSFs of inbound tour operators in SA's Travel and Tourism industry and the approaches these firms adopt towards internationalising their businesses. The findings derived from the interviews and research conducted on the case companies form the basis of the responses to the overall research questions which will be discussed further in the next chapter.

## 4.2 Industry perspective

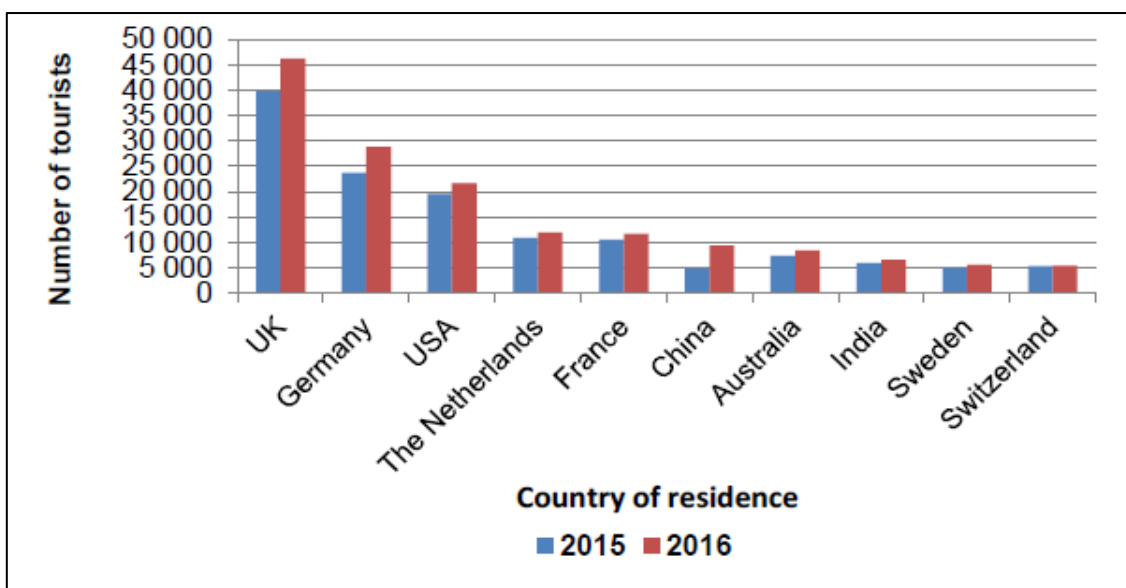
An industry expert at the Cape Town Tourism Office describes the travel and tourism industry both locally and globally as growing, mainly due to disposable income increasing in the emerging markets. Increased strength in the buying power of Chinese consumers is a key driver in this regard. Disposable personal income per capita in China increased to 31195 Chinese Yuan (CNY) in 2015 from 28844 CNY in 2014 (Trading Economics, 2016). And there has been a growing trend that Chinese consumers love to travel and on average spend \$2000 per traveller on each trip (Marketwatch, 2016).

Other trends noted under expert opinion are: *“the tourist market is upbeat throughout the world as it is gaining momentum. The major force behind it is the awakening buying power in the East. The North American economy is recovering, so tourism from there will increase. Then Africa is awakening as a resource development region. So, you’ll see the low cost airlines doing the connections internally on the African continent.”*

Statistics on international tourists visiting South Africa support these assertions, as figure 3 shows that the number of international tourists from China has almost doubled since 2015 to 2016. Furthermore, there has also been a continued increase in international visitors from South Africa’s major tourism source markets, namely Europe and North America (Statistics South Africa, 2016).



**Figure 3. Number of tourists from the ten leading overseas countries as at January 2015 and January 2016**



(Source: Statistics South Africa, 2016)

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Another important facet of the industry which is becoming more prevalent in the market is the disposition of some international travellers to be more informed, independent and responsible. As a result, the emergence of a specific segment of the tourism market comes to the fore in this regard, namely, Frequent Independent Travellers, also known in some regions as Free and Independent Travellers (FIT). According to Tourism Research Australia (2015) FITs can be described as international visitors with the main purpose of holiday or visiting friends and relatives, they are not on a group tour, or are less than ten collective travellers and they do not have any package inclusions. The prevalence of FITs has increased immensely over the last few years mainly due to the influence of the internet and the improvement of online booking capabilities (Tourism Research Australia, 2015). Travellers are now able to conduct their own due diligence regarding their prospective trip destinations and furthermore can book and pay online directly with tourism service providers. This phenomenon has majorly disrupted the tourism industry, particularly for travel agents and tour operators, as travellers can now easily bypass them when acquiring tourism services.

Tourism customers have become more demanding in the service standards they require from service providers, especially since payment is usually made before service is rendered. According to expert opinion, the critical factor that tourism customers look for when acquiring the services of industry participants is firstly peace-of-mind. Adequate assurance is sought by tourism customers that should anything go wrong with the booked tour they will be compensated for any loss incurred. To that extent, South African Tourism Services Association (SATSA) created a bonded agreement. The Bonding Agreement is a consumer protection scheme to provide guarantees against deposits held with a SATSA member (tourism service providers), thereby guaranteeing its quality assurance role for years to come. By booking through a SATSA member, travellers know that they have minimum insurance, that the service provider is part of the organisation body and that they also carry the logo, “SATSA Bonded member”. This assures them that there’s some form of back-up should something go wrong. The industry expert advocates this practice amongst tourism service providers and urges international travellers to,

*“select a service provider who has a good reputation or that has a membership base somewhere. Go check out SATSA, and RETOSA and see if they are bonded, if they belong to South African Tourism...those are all things that give the buyer ease of mind to say, it’s ok.”*

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In line with the fact that the number of international tourists visiting South Africa is growing, the number of market participants – particularly inbound tour operators – is growing as well. Prior to 1994, there were less than fifty tour operators in South Africa. Today there are more than five hundred and seventy South African tour operators nationally that are registered with tourism associations such as SATSA and the Tourism Business Council of South Africa (TBCSA). This figure increases significantly if tour operators that are not registered are included. This illustrates a growth of more than one thousand percent in the inbound tour operator segment in the SA Travel and Tourism industry over the last twenty-two years, since 1994. With so many new entrants into the market it is important for these businesses to become and also remain competitive in order to be sustainable. This led to the following question being asked of the industry expert, “What are the competitive attributes that inbound tour operators in the SA travel and tourism industry should focus on in order build their strategies?”

*Service...the biggest aspect is service. In the previous question...safety and the value proposition. Safety in the sense of security and peace-of-mind and you are at ease that it's the right product...it's suitable for you. You going to get what you agreed to. That's what makes tourism so peculiar, you actually pay upfront for something which you not sure. There's no test product. The product is produced and consumed at the same time. It makes it extremely difficult. Tourism customers are buying a promise. So, the promise needs to be genuine and there needs to be some comfort that the value proposition will be delivered and it will be delivered at the expectation levels. And that expectation level, from person to person, even individuals not groups or countries that visit you, increases every year.*

A key deduction that can be made from the expert's comments is that the tourism industry and particularly the inbound tour operator segment is idiosyncratic, in that its outputs are intangible at the point of sale and the product sold is only consumed as and when the customer engages in the services of a tourism vendor. Thus, in determining what is critical to the success of an inbound tour operator, a critical evaluation of the level of service is required, as well as the consistency and reliability of the tour operator to deliver on the value proposition.

The earlier statistics (Statistics South Africa, 2016) regarding international tourists visiting South Africa show that an ever-growing number of foreign countries are developing into key source markets for tourism in SA. This suggests that international activity on the part of SA's

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tourism industry is critical in attracting foreign revenue from the international tourist market. This prompted the following question to be asked of the industry expert, “How should tour operators in SA’s travel and tourism industry internationalise their businesses to increase foreign revenue? More so the activities and processes they should implement and put in place?” He’s response was as follows:

*“Firstly, a highly efficient and effective office practice. You need to respond within so many hours. You need to be accurate to the fifty-cent. You need to be accurate exactly in the information that it is a twin room, with a sea view on the second floor, with no escalator only stairs, not suitable for disabled people, etc. You need to have an accurate, well-oiled machine room. When you have that then it becomes the communication challenge. We got all of this, the product is right, the information is right. We now get the information across to the potential client. When it’s there we need to make sure that they understand the information provision correctly. That it is the product they want and not just... in many cases we sell what we have. We also need to determine this is what we have, but what is it that you want? And then say we can provide in A, B & C. The big mistake small companies make is saying they can provide anything. Yes, but can you provide anything equally well as Company A or Company B? At the same price? With the same comfort of insurance and backup plans? That’s what I need to know. And that’s the challenge. You need to come as a full package. You must be slick and smooth...and no mistakes. Then you must be human. It’s the human touch at the end of the day. It’s the Christmas card...the birthday wish...the phone call to say I value your business. Thank you for the last three months of good business or the good group that was here...how will I survive without you? It’s not the chocolates, flowers or the wine. It helps...but it’s the call. It’s the human thank you to your business providers, that’s lacking in many case in the small guy. Because he is swimming to stay head above water, that he doesn’t have time for the niceties. And it’s the niceties in many cases which bring back the repeat business.”*

The insights gained from the industry expert helped identify key aspects within the tourism industry that affect participants in the local and international tourism market. They also provided valuable context behind the case companies investigated in this study.

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## 4.3 Summary of Case Companies

In the research and design chapter it was ascertained that six cases would be suitable for this study based on similar previous studies. Each case was subjected to the same level of inquiry, namely a qualitative interview, using a standard open-ended questionnaire, as the primary source of data collection. This was then augmented with secondary data collection of each case, by using web searches on each company's website, social media platforms and scrutiny of company brochures and booklets to gather further insights. A summary of these six cases is now provided with the firms assuming alias names for anonymity purposes due to the sensitive information provided by respondents.

### 4.3.1 *Alpha*

Alpha was founded in 1990 by a young tour guide. It is located in the Milnerton area of the Western Cape. At the time of its inception there were only a handful of Tour Operators in the market as the tourism industry in South Africa was very much in its infancy. This was due to the political climate characteristic of the time, pre-1994, in which international sanctions against South Africa limited foreign visitors from visiting the country.

The owner started off as a tour guide in the tourism industry before he started the business. After a few years, he progressed to having his own little business, it was very small but grew steadily. Offering tours to tourists was the initial mainstay of the business, until the strategic focus of the business shifted more toward offering transport services to the local corporate sector. This prompted the owner about eight years ago to start a metered taxi business division to offer clientele that needed extra service afterwards, getting them from the airport, dinners and point-to-point transfers.

Despite the organisation having been in existence for more than twenty years, the systems and processes of the organisation seem somewhat underdeveloped. There is a lack of formal training manuals and formal business plans to drive a clear vision for the company. The firm structure is also extremely flat with just three operational supervisors working under the Owner and all operational staff (booking agents, drivers and tour guides) under the supervisors. No designated human resources, IT or marketing departments exist.



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#### **4.3.2 Beta**

Beta was founded in 1992 by a South African couple, out of their passion for the outdoors and their belief that touring should be done from the seat of a bicycle. Prior to 1992, they travelled the world extensively and often toured these foreign countries by cycling through them. This afforded them a new perspective and provided the inspiration for their business idea of providing guided tours in South Africa utilizing bicycles on the tours.

At the time of the business's inception there was not much tourism in the country to speak of, yet alone any particular niche market segments. They therefore were able to start off very small, with little competition. The initial business outfit comprised one second-hand 'combi' and five bicycles with just the husband as the tour guide and the wife as the administrator and tour coordinator. Over the past twenty years their business has grown steadily and they now have a business location in Woodstock, Cape Town, with a larger staff compliment comprising more than twenty tour guides and operational staff, and a noticeable fleet of tour buses, custom trailers and over two hundred bicycles.

Beta's customer markets since inception comprised visitors from foreign countries such as the United States of America, United Kingdom and other European countries. This was due to their extensive relationship networks developed whilst travelling through these countries. Even today, the company's sales ratio comprises approximately eighty percent from foreign markets with the rest being from the local market.

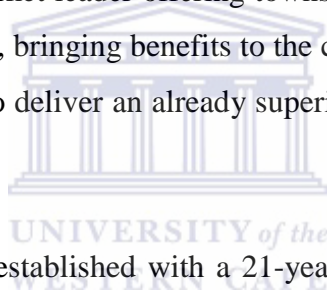
Despite the organisation having been in existence for more than twenty years, the business is still considered a small business in comparison to other larger Tour Operators in the broader travel and tourism market. However, within their niche segment "cycling tourism", they are by far the market leader in South Africa in terms of expertise and capacity to handle large tourist-cycling groups.

Nonetheless, the business's systems and processes are still somewhat underdeveloped and less formalized. There is a lack of formal training manuals and formal business plans to drive a clear vision for the company. The firm structure is also extremely flat with just operational staff working under the Owners. No designated functional departments such as human resources, information technology (IT) or marketing exist.

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### **4.3.3 Gamma**

Gamma was founded in 1995 initially by two French foreign nationals. It is located in the Salt River area of the Western Cape. The business was established based on the realisation that whilst a good number of passengers arrived on the shores of Cape Town for tours as part of organised groups; an even larger portion arrived as frequent independent travellers (FITs) who hadn't planned the full details of their stay before landing. The founders therefore identified the need for flexible touring solutions and created a company that could provide organised tours in Cape Town as well as Safari Tours (from half-day to full day) for single travellers, small groups and even fully tailor-made private or group tours. The business emphasizes that they are an inbound tour operator, with their core business in Cape Town being day tours. These day tours are run as a scheduled service, picking up tourists at various guest houses and hotels. In 2005 Gamma merged with "ABC" Tours, a black owned company specialising in township tours and cultural experiences. ABC Tours was established in 1997 by a single director and quickly established itself as a market leader offering township tours and cultural experiences in a non-invasive sustainable way, bringing benefits to the communities it visited. The merger with Gamma gave it a platform to deliver an already superior experience to a broader market base.



To date the organisation is well-established with a 21-year track record. It has a noticeable ethos which drives the organisation. Organisational processes are structured and formal, with dedicated departments setup for key business areas such as, Operations, Information Technology, Marketing & Sales, Finance and Quality Control. The organisation remains flat though, with only the three directors occupying executive managerial roles.

### **4.3.4 Delta**

Delta is a private Destination Management Company (DMC) that offers full ground handling services throughout Southern Africa. The business was founded in 1994 at the time when South Africa's new democracy was born. The original owner was a teacher. He wanted to set up a tour company, identified a major travel and tour agent in the USA, went to see them and got his first booking. The objective of the business at the outset was to serve as an inbound ground handler for agents specialising in luxury tours. A fleet of luxury coaches was also acquired over time so that Delta could supply its own transport needs. Two decades later Delta's business has grown from strength to strength and enjoys excellent relationships both locally and internationally.



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In the twenty years of operation, Delta has established itself both as a DMC and as a Coach Company. On the coaching side, they have been directly and indirectly involved in some of the country's most memorable and auspicious events and have transported royalty, celebrities and government officials. The DMC business mainly focuses on the international leisure market and provides a complete ground handling service for the individual traveller as well as specialist groups and incentives.

Delta is a member of a larger holding company listed on the Johannesburg Stock Exchange (JSE). The holding company was established in 1901 as the famous diamond mining company which went on to produce the world's largest ever rough diamond in 1905. The company has since evolved into one of South Africa's leading JSE listed Tourism and Leisure Groups, and today comprises many of Southern Africa's leading brands in Travel and Leisure.

#### **4.3.5 Rho**

Rho has a rich heritage of travel and touring in Africa. The company's origins date back to 1946, and some of the earliest group tours to South Africa's Kruger National Park. The business initially started off as a bus company transporting school children. Then a request came through to transport school children to the Kruger National Park. This event was a catalyst for the idea of offering a service like this to tourists who would want to visit the National Park. The company also had a competitive advantage at the time as no other bus companies had luxury coaches, which they had. Subsequently, over the past few decades the business has been built into one of Africa's largest and best known tour operators. Today, Rho is owned by a holding company, one of South Africa's leading JSE listed Tourism and Leisure Groups, and comprises many of Southern Africa's leading brands in Travel and Leisure.

The organisation has over 200 people who are dedicated to offering inbound touring services. Formal structures are in place to govern the way the organisation is run and has an evident hierarchy. However, it remains flat and flexible enough to allow employees the ability to conduct their work according to how they best see fit, as long as they do so within the rules and protocols of the organisation. One important aspect of this company is its well-crafted and comprehensive value statement. It embodies an ethos of honesty, creativeness, fairness and positivity, which is driven throughout the organisation. The organisation also prides itself on having a well-trained, expert workforce and constantly embarks on skills development to

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ensure that its employees stay ahead of industry standards. Subsequently the company incurs low staff turnover.

#### **4.3.6 Theta**

The company was started in 1980 by the owner, after returning from a touring trip abroad. He noticed the coach touring service being offered over there and thought why not start something like that in South Africa. At the time, there were not many coach company's focusing on the tourist market. Also, the tourism industry was in its infancy in 1980. So, the owner started off as a tour guide offering inbound packaged tours to international visitors.

The company has subsequently grown exponentially over the last thirty-six years and expanded its geographical footprint. Its services have been expanded to include scheduled and private guided day tours and safaris, coach charter, transfers and a shuttle service between OR Tambo International Airport and Sun City. The company has seven offices around South Africa, situated in close proximity to major tourist attractions. Operationally, Theta currently has a fleet of almost 300 vehicles from 7 seat mini busses to 52 seat luxury coaches. Also, uniquely it owns a few 10-seat open-safari game-viewing vehicles in Hazyview, Malalane, Hluhluwe and St Lucia, and 6 seater Toyota Fortuner's in Hazyview only. The average age of a fleet vehicle is less than 3 years, in line with international standards.

Employees are key to the growth and success of the organisation. It currently employs over 500 staff members and a strong emphasis is placed on upskilling staff and acquiring talented individuals who are passionate about the tourism industry. Drivers are regularly trained at a National Driver Training Institution to ensure they continuously improve their driving skills.

In 2008 the company was acquired by a large JSE listed group holdings company, which has afforded the organisation economies of scale through shared resources and an added advantage of increased buying power when negotiating with suppliers.

Table 2 below gives an overview of each case's business dynamics and allows for the distinction to be made between small, medium and large tour operators as operationalised by the participation selection criteria and the classification used by the Department of Trade and Industry. Alpha and Beta are small inbound tour operators, while Gamma and Delta are medium sized inbound tour operators. All four cases are relatively similar in age, twenty to

twenty-five years. Rho and Theta are significantly larger inbound tour operators and have been in existence for a much longer period of time of thirty-five years and more.

**Table 2. Business Analysis Summary**

	<b>Business Analysis Summary</b>					
<b>CASE</b>	Alpha (Small)	Beta (Small)	Gamma (Medium)	Delta (Medium)	Rho (Large)	Theta (Large)
Company Age	22 yrs	24 yrs	21 yrs	20 yrs	70 yrs	36 yrs
Employees (Incl. contract staff)	39	22	50+	50+	200+	500
Vehicles	20	10	20	30	100	300
Vehicle replacement period	5-10 yrs	5-10 yrs	5 yrs	5 yrs	3-5 yrs	3 yrs
Bicycles	-	220	-	-	-	-
SA Office sites	1	1	1	2	5	7
Affiliate International agent sites	0	0	0	2	5	2
Average Turnover per annum (last three years)	< R13 million	< R13 million	R13 - R50 million	R13 - R50 million	R200+ million	R200+ million
Sales split – International vs Domestic	20%: 80%	80%: 20%	0%: 100%	0%: 100%	90%:10%	90%:10%
SATSA Member	No	Yes	Yes	Yes	Yes	Yes

Having provided context of the industry and the case companies involved in this study, the results of the research process (data collection and analysis) are presented throughout this chapter. These representations help form the basis for the responses to the research questions discussed in Chapter 5.

## 4.4 Key Success Factors for Inbound Tour Operators in SA

Using content analysis, key success factors were identified according to a deductive category application, whereby theoretically derived aspects of analysis were brought in connection with the interview transcript text for each case. These theoretical aspects are market responsiveness, utilization of resources and management and control (Thomas and Long, 2000). The results of this method of analysis are presented in tabular format for each dimension and discussed accordingly. The (Y) symbol represents that a factor is considered critical and a (X) symbol not as shown in table 3 below.

### 4.4.1 Market Responsiveness

Key Success Factors:	Alpha	Beta	Gamma	Delta	Rho	Theta
<b>Market Responsiveness</b>						
Internet-based interaction with clients - e-mail, mobile apps or website (Harnessing Technology)	(Y)	(Y)	(Y)	(Y)	(Y)	(Y)
Forging Sustainable Relationships with customers	(Y)	(Y)	(Y)	(Y)	(Y)	(Y)
Focusing on target/niche markets	(Y)	(Y)	(Y)	(Y)	(X)	(X)
Demand Flexibility	(X)	(Y)	(Y)	(X)	(Y)	(Y)
Pricing and commissions to agents	(X)	(X)	(Y)	(Y)	(Y)	(Y)
Lobbying with Government agencies and tourism associations	(X)	(Y)	(X)	(X)	(Y)	(Y)
Comprehensive Product offering	(X)	(X)	(X)	(X)	(Y)	(Y)
Client Centricity	(X)	(X)	(X)	(X)	(Y)	(Y)

**Table 3. KSFs in terms of market responsiveness**

#### Internet-based interaction with clients

The above table illustrates that internet-based interaction with clients (via e-mail, mobile applications or website) has ranked as the most important key success factor relating to market responsiveness by all inbound tour operators in this study. However, it must be noted that each of the businesses have their own unique approach to implementing internet-based interaction

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with their customers. The small firms have simple manual systems in place, whereby customers contact via e-mail, the business's website or telephonically. Bookings and scheduling are all done manually by designated booking agents who continually attend to customer e-mails and telephone calls. Some of the medium to large firms have more advanced internet-based interactions. In some instances, such as in the case of Gamma (medium), Rho (large) and Theta (large), the use of automated interfacing with customers on the business's website is a novel feature. Another differentiating aspect between small and medium to large inbound tour operators is a highly developed presence on social media platforms such as Trip-Advisor, Facebook and Twitter. The small inbound tour operators (Alpha and Beta) each do not have an active Facebook page, whilst both medium and large tour operators are active almost daily on their account pages engaging with their social media communities and customers. Lastly, sophisticated back-end processes which automate bookings and scheduling, and provide instant internet-based confirmations with customers via e-mail was found to be a notable characteristic of the internet-based interaction of medium and large inbound tour operators and not of the small tour operators.

### **Forging sustainable relationships with customers**

Similarly, forging sustainable relationships with customers is equally regarded as one of the main key success factors of inbound tour operators when it comes to market responsiveness. Small inbound tour operators were found to rely on local corporate firms as a source of sustainable business relationships especially during periods of low international tourist arrivals. The medium sized tour operators implement a different approach to forging and maintaining relationships. They focus more on the contact they have with their client and strengthening the relationship via strong after-sales service and implementing initiatives to keep customers informed about their products and any changes in the industry. Large tour operators focus on strengthening relationships with their main customers by entertaining them.

### **Focusing on target/niche markets**

Some of the businesses have built their offering by responding to specific needs in the market and focusing on target/niche markets. Alpha has focused its tour offering on the meetings, incentives, conferences and events (MICE) segment of the local tourism market by leveraging heavily off the corporate sector for tourism business. Beta's business proposition spawned from the passion for cycling that the founders shared and therefore the business has positioned its tour offering to like-minded individuals who want to see and experience parts of the country

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from the seat of a bicycle. Gamma's tour offering was formed in response to the growing number of FIT's visiting South Africa, tourists who do not want to be constricted to only touring the country as part of a large tour group but rather require nimbleness and flexibility in tour services to be as independent as they want when travelling. Delta's tour offering since inception has been geared toward providing a premium service to affluent tourists who require tailor-made touring solutions. Contrary to the aforementioned cases the two large inbound tour operators, Rho and Theta, do not focus on any one specific segment of the market. Due to their sheer size, they have capacity to successfully focus on numerous segments of the market. Rho and Theta both focus on the FIT (through daily scheduled tours), luxury (through tailor-made tours) and MICE segments of the tourism market.

### **Demand flexibility**

Most respondents highlighted demand flexibility as an important key success factor, except for one small tour operator, Alpha. Having said this, it must be noted that in the context of the cases investigated, this factor had two dynamics brought to the fore. Firstly, it refers to the ability of the inbound tour operator to provide capacity of resources to meet any size service request. Secondly it focuses on the ability of the tour operator to provide service on short notice. In the case of Beta, the niche cycling tour operator, demand flexibility mainly showed itself in the ability of the firm to provide a large number of bicycles for large group bookings. They currently have over 200 bicycles and numerous custom built trailers to mobilize these bicycles to any particular route in the country designated for a particular cycling tour. For medium-sized firm Gamma, due to its focus of the market being FITs, its day tour offering caters to the flexibility required to provide service to these clients at extremely short notice, as all their tours are scheduled to depart daily. They also match this with enough capacity in the form of touring vehicles and tour guides to comfortably service each tour product every day.

### **Pricing and commissions to agents**

More often than not, inbound tour operators are service providers to wholesale travel agents (local and abroad), hotels and accommodation facilities and corporate clients. With travel agents needing to resell the tours that inbound tour operators offer and there being many more inbound tour operators in the market today than previously, pricing and commissions to agents becomes a critical factor in ensuring successful and sustainable business relationships. The smaller tour operators, Alpha and Beta, acknowledge the importance of competitively pricing their services but avoid getting involved in agreements which require them to pay commissions

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or offer discounts to travel agents. Whereas, with the medium and large tour operators it is a key aspect of how they go about obtaining and retaining clients. In each of these businesses, commission is paid to agents for every tour that they book with the respective tour operator. Also, in some instances favourable rates are negotiated and contracted with foreign agents whereby the tour operator will be considered their exclusive service provider in the SA inbound tourism market.

### **Lobbying with government agencies and tourism associations**

A few other factors were noted by some of the respondents but were not considered KSFs by majority of the respondents. Lobbying with government agencies and tourism associations was considered a KSF, surprisingly by one small tour operator, Beta, and the two large tour operators, Rho and Theta. However, the other respondents (Alpha, Gamma and Delta) did not cite this as being critical to the success of their business and therefore employed no resources thereon.

### **Comprehensive product offering**

Another KSF which highly distinguished small and medium tour operators from their larger-sized counterparts was a comprehensive product offering. As mentioned previously, the small and medium tour operators focus on a niche or one target segment of the market. Whereas the large tour operators, Rho and Theta utilized their capacity and size to formidably offer comprehensive tourism products and services to numerous inbound tourism segments.

### **Client Centricity**

All tour operators highlighted that high service standards are critical in the industry and are particularly important to each of their firms' success. However, the large tour operators, Rho and Theta advance this aspect of their businesses more notably than the small and medium-sized tour operators, by focusing on client centricity. They achieve this by catering to the finer nuances that their tourist source markets appreciate and enjoy, e.g. A tour guide that speaks in their native language and understands their culture. Having a designated in-house call-centre with consultants to handle client queries and having key account managers that manage the business relationship with major clients. These were all seen to be non-functional in the other firms.



#### 4.4.2 Utilisation of Resources

A firm's response to the market environment is matched by the resources it utilises in the development of its capabilities. The key resources identified for success are presented in the table below.

Key Success Factors – Utilisation of Resources	Alpha	Beta	Gamma	Delta	Rho	Theta
Knowledgeable Staff to manage the vendor-customer relationship	(Y)	(Y)	(Y)	(Y)	(Y)	(Y)
Role of Tour Guides	(Y)	(Y)	(Y)	(Y)	(Y)	(Y)
Develop Infrastructure and Financial Resources to facilitate growth	(Y)	(X)	(Y)	(Y)	(Y)	(Y)
Using Quality Suppliers	(X)	(Y)	(Y)	(Y)	(Y)	(Y)
Staff Training & Skills (up-skilling)	(X)	(X)	(Y)	(Y)	(Y)	(Y)
Harnessing the power of technological resources	(X)	(X)	(Y)	(X)	(Y)	(Y)
Belonging to a Group Structure	(X)	(X)	(X)	(Y)	(Y)	(Y)

**Table 4. KSFs in terms of utilisation of resources**

#### **Knowledgeable staff to manage the vendor-customer relationship**

The inbound tour operator sector of South Africa's tourism industry is service-driven and labour intensive. From the ranking table, above, it is clear to see that all respondents identify their staff to be the business's most critical resource for success. Respondents ranked having knowledgeable staff to manage the relationships between business as the most important KSF when it comes to the utilization of company resources. All respondents stressed the importance of competent and experienced operational staff when dealing with clients' requests and queries as they are usually the first point of contact when customers make bookings. They also set the tone for the type of experience the client has. In the case of the large tour operators, Rho and Theta, the service consultants have an average of seven years' experience in the industry, whereas in the small and medium-sized tour operators the average experience of service consultants is less than seven years.

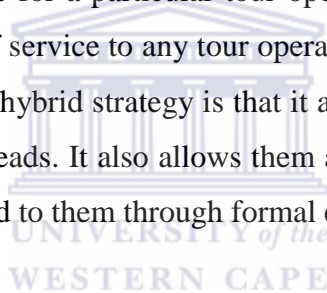
#### **Role of tour guides**

In addition to the service consultants needing to be knowledgeable and experienced, the front



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office staff providing the actual service is equally regarded by each respondent as critical to the success of the tour operator's business. Hence the role of tour guides is considered one of the most important KSFs in the utilization of a company's resources as they represent the face of the company to the end client (tourist). Each company utilizes registered tour guides at South African Tourism, who have extensive experience in the industry. The small tour operators, Alpha and Beta, employ tour guides on a permanent basis, with these tour guides only speaking English. Whereas the medium and large-sized tour operators, Gamma, Delta, Rho and Theta implement a hybrid strategy when it comes to utilizing tour guides. They employ a number of registered tour guides on a permanent basis and supplement their capacity requirements for tour guides with other registered *freelance* tour guides. These tour operators also utilize tour guides that are bi-lingual or multi-lingual, e.g. Gamma makes regular use of English and French speaking tour guides because its main source market for inbound tourists is France. These freelance tour guides are service providers to tour operators and usually bill a day rate according to each tour they guide for a particular tour operator. They are not bound by any exclusivity contract and can be of service to any tour operator that wants to make use of their services. A key advantage of this hybrid strategy is that it allows tour operators to be flexible in capacity and lower their overheads. It also allows them access to tour guides with specific skills but without having to be tied to them through formal employment contracts.



### **Develop infrastructure and financial resources**

Capital resources play a major part in the operation of any inbound tour operator in the industry. These resources vary and include business premises and buildings, fleet of vehicles, custom-made equipment and working capital to pay suppliers for services required in the operator's tour offering. It is therefore considered a KSF by respondents to develop infrastructure and financial resources to facilitate growth. Among the cases analysed, it was identified that the capital structure of Alpha, Beta and Gamma differed considerably to Delta, Rho and Theta. In the first three cases capital resources is provided by the founding owners of the business. Infrastructure, such as premises, buildings, fleet of vehicles and equipment are all acquired and developed through capital employed by the owners. The respondents of these firms said they are not interested in outside partners to provide capital but admitted that this stance has hindered the pace at which their companies have grown, citing financial constraints. Delta, Rho and Theta, although started off being capitalized by their founding owners, all now belong one hundred percent to a JSE listed conglomerate. Delta was acquired in 2008, Rho in 2004 and Theta in 2006. This has afforded these firms access to enormous capital liquidity and allowed

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them to embark on extensive capital investment in infrastructure and service equipment. Collectively Delta, Rho and Theta have the largest and most modern fleet of touring vehicles in the whole of Africa.

### **Using quality suppliers**

Inbound tourism in South Africa largely entails packaging a tour which is easily re-sellable to end clients. This facet of packaging inbound tours requires a well-coordinated value chain which normally entails services which are not a core capability of the inbound tour operator. Therefore, using quality suppliers is a critical component of ensuring that the tour offering sold by the tour operator results in a quality experience for the end client. Generally, it was found that all the tour operators in this study provide ground transportation to all tour sites designated in their respective tour offerings. Some tour operators (Gamma, Delta, Rho and Theta) differentiate the transport aspect of their tours by providing luxury vehicles if requested by the client. The nature of some of the tour packages offered by the tour operators, except for Alpha, entail overnight stays, entrance into tourist attraction sites and restaurants. This requires tour operators to draw on relationships built with accommodation providers, the management of tourist attraction sites and the management of restaurants in order to structure a package which is affordable for the end client, yet profitable for the tour operator.

### **Staff training & skills (up-skilling)**

To offer world class tourism service some of the respondents highlighted that a business needs to continually conduct staff training & enhance the skills (up-skilling) of their employees. This was found to be quite evident of the medium and large-sized tour operators. The two small tour operators Alpha and Beta were found less inclined to carry out staff training and skills initiatives, citing financial constraints as a primary reason and also capacity constraints that would occur as a result of the staff being on training.

### **Harnessing the power of technological resources**

A few other factors that were identified as important but were not considered a KSF by majority of the respondents were the harnessing the power of technological resources and belonging to a group structure. Internet-based interaction with clients was already highlighted by all participants as a KSF due to the change experienced in the industry since the rapid adoption of the internet by businesses and customers in the industry. But some tour operators (Gamma and Rho) have taken the use of technology further by harnessing the power of technological

resources to gain a competitive advantage. Gamma has done so by offering tourists complimentary wireless internet (Wi-Fi) on-board all their touring vehicles by striking a strategic partnership with an international internet service provider that specializes in this capability. They did this to take advantage of the fact that many tourists want to upload their experiences instantly onto social media whilst touring. This initiative was an industry first and has since not been replicated by other competitors. Rho has harnessed the power of technology further by upgrading its entire fleet of busses with sophisticated software which provides live information on the status and maintenance level of their busses. This system tracks a vehicle's location, fuel level, driver usage (speeding and harsh braking), tyre pressure and any system faults on the vehicle. This information is relayed back to the operational control office and allows them to prevent any breakdown of their vehicles before it happens.

### **Belonging to a Group Structure**

Insights derived from the industry expert allude to the notion that there is significant consolidation occurring in the SA travel and tourism industry, particularly in the inbound tour operator sector. One particular JSE listed conglomerate has purchased key operators in this sector and assumed them into its group structure. Belonging to a Group Structure has afforded these tour operators, who have subscribed to this form of ownership, an opportunity to drive efficiencies and achieve scale of operation in their respective businesses. These businesses have been able to leverage off of shared resources and have greater access to capital for large-scale investment due to the parent company being more readily able to raise liquidity on the stock market.

#### **4.4.3 Management Control**

A critical component of the success of an organisation lies in the way management structures the business and its processes. The key variables that management controls which contribute to success are presented in the table below.

<b>Key Success Factors - Management Control</b>	<b>Alpha</b>	<b>Beta</b>	<b>Gamma</b>	<b>Delta</b>	<b>Rho</b>	<b>Theta</b>
Financial stability	(Y)	(Y)	(Y)	(Y)	(Y)	(Y)
Quality Control	(X)	(Y)	(Y)	(Y)	(Y)	(Y)
Ethical business practices	(Y)	(Y)	(X)	(Y)	(Y)	(Y)

Flat organization structure - flexibility and autonomy amongst staff	(Y)	(Y)	(Y)	(Y)	(Y)	(X)
Implementing new & robust operational systems	(X)	(X)	(Y)	(Y)	(Y)	(Y)
Internal Communication and Corporate Culture	(X)	(X)	(Y)	(Y)	(Y)	(Y)
Bargaining Power with suppliers	(X)	(X)	(Y)	(Y)	(Y)	(Y)
Detailed Marketing Material	(X)	(X)	(Y)	(X)	(Y)	(Y)

**Table 5. KSFs in terms of management control**

### **Financial stability**

Financial stability is regarded by the management of all the tour operators as the most important KSF when relating to management's control over the business. It refers to the business's ability to be resistant to economic shocks and be fit to smoothly fulfil its basic functions and comfortably meet its financial obligations in the foreseeable future. Upon investigation, it was found that this is a more daunting task for the small tour operators (Alpha and Beta) as opposed to the medium (Gamma and Delta) and large (Rho and Theta) tour operators. In both Alpha and Beta, annual financial budgeting was almost non-existent and other than the day-to-day invoicing of work completed, done either by the owner or a bookkeeper, the broader accounting function of the business was outsourced to an outside party. Nonetheless, they maintained that generating a profit, maintaining staff salaries and meeting debt obligations as being a sign of financial stability. The financial accounting function was seen to be vastly more formalized and developed in the medium and large tour operators, each with a team of financial staff working in their accounting departments. The output being the ability to give an account of the business's financial performance and position at any given time, to ascertain the financial stability of the business.

### **Quality Control**

Control, with regard to the standard of service delivered to customers, was explicitly highlighted as an important KSF by all the respondents, except for Alpha. At Beta's organization, this function is carried out by the owners themselves as they ensure a high level of service is provided to their clients, by being present on most of the tours and personally checking routes and itineraries of cycling tours. Also, paying careful attention to particular details of clients' requests and delivering exceedingly well thereon. Gamma's service is highly

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process-driven with quality control measures built into the operational system, from sophisticated recording systems in the booking process, to stringent quality checks carried out on its fleet of vehicles. Delta has a large focus on quality control with regard to their fleet of vehicles and the suppliers they use in their product offerings. These include accommodation establishments, tourist attraction sites, restaurants and contract tour guides. Only accredited and preferred suppliers are used. Delta's fleet of vehicles undergoes strict quality monitoring and the vehicles have an average turnover period of less than five years. The large tour operators both viewed quality control as imperative to the success of the respective organisations. Both Rho and Theta annually carry out independent quality and safety audits on their businesses. This is to align with international standards and meet the stringent requirement of international travellers.

### **Ethical business practices**

Quality and commitment to service excellence are what most of the inbound tour operators in the SA travel and tourism industry focus on. This is underpinned by sound and ethical business practices. All respondents, except for Alpha, highlighted that their businesses are registered South African Tourism Services Association (SATSA) members and therefore subscribe to a strict code of conduct governing their business practice for the benefit of clients that use their services. SATSA members must adhere to a strict code of conduct guaranteeing high standards of service, good quality tourism services and product, and a trustworthy accreditation with the association itself. Members are bonded with third-party indemnity, ensuring financially sound relationships when using them as suppliers. SATSA members are also required to submit documentation pertaining to their business annually so that the association can verify they are indeed running an ethical and healthy business that can be recommended to international travel agents and tour operators. Also, in many cases, the SA inbound tour operator segment acts as service provider to other tour operator organisations abroad, giving them access to these foreign organisations' end clients. Integrity, in the sense of not 'poaching' these end clients is therefore considered of paramount importance in maintaining healthy business relationships.

### **Flat organisational structure**

All respondents, except Theta, stated that they implement a flat organisational structure. In the small tour operators, Alpha and Beta, it was identified that the only layer of management was occupied by the owner/s. Decision-making was decentralised with all employees taking responsibility and accountability for their work tasks, reporting to either one operational

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supervisor or directly to the owners of the business. This was seen to facilitate flexibility in operations and speed in communication between employees within the organisation and with clients. Similarly, the medium tour operators, Gamma and Delta and one large tour operator, Rho, have flat organisational structures but with more functional management in place. A manager is appointed for each functional department who is responsible for the alignment of the department's tasks and activities with the business's overall strategic goals. In Theta, the structure of the organisation was more vertical with more layers of management implemented. This however, was not seen as a drawback but rather the business's way of ensuring accountability and oversight at each aspect of the business. Due to the large number of employees within Theta's organisation, tasks in departments such as human resources, finance, operations and marketing, were standardised and process-driven. Employees were not encouraged to deviate from the business's corporate processes.

### **Implementing new & robust operational system**

Apart from the small tour operators, continuous improvement and implementing new & robust operational systems is considered by medium and large tour operators as being critical to the success of their organisations. The difference between the two groups can mainly be attributed to the executive management's orientation toward investment in continuous system upgrades. As mentioned previously, Alpha and Beta still have manual operational systems in place to handle their bookings and queries and have no inclination to invest in new operational systems in the near future. The standard, e-mail and telephonic booking system is still preferred. At Beta, even the routing of their cycling tours is done manually using a large printout of a map of the particular area of the country they wish to run a cycling tour. Whereas Gamma, Delta, Rho and Theta have at least in the last three years invested in new computer software and improvements to the operational infrastructure of their businesses. This can be seen in Gamma's new website and search engine optimisation (SEO) system implemented in 2015. Or Delta's robust back-end system which integrates with clients and suppliers' systems to facilitate seamless bookings of tours and allocation of resources (vehicles, tour guides and accommodation facilities). This system even allows for quality audits to be conducted on suppliers. Rho and Theta's state of the art fleet management system implemented in 2015 is another example of an operational improvement made fairly recently by large tour operators. Operational synergy between internal stakeholders is identified as a key component for the successful running of a tour operator business.



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### **Internal communication and corporate culture**

At the heart of this operational synergy, some respondents highlighted internal communication and corporate culture as a KSF and a notable contributor to the competitive advantage an organisation derives from its business processes. Alpha and Beta demonstrate internal communication by having flat open plan offices and an open-door policy which allow for easy communication throughout the respective businesses. However, the corporate culture is sorely underdeveloped with no formalised value-system driving their organisations' actions, other than the tone at work set by the owners of the respective businesses.

### **Bargaining power with suppliers**

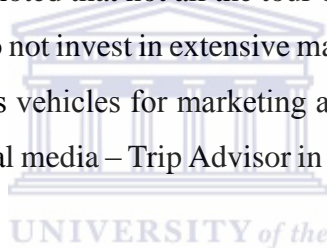
The inbound tour operator value proposition entails a multitude of suppliers forming a value-chain to produce the end product provided to international tourists. To this end, tour operators that buy in large volumes from suppliers can often leverage their buying power to bargain with suppliers to obtain preferential prices than what would be possible from a standard arm's length transaction with a 'normal' customer. Alpha, has a limited product offering when it comes to tours and subsequently does not have many suppliers because it does not incorporate accommodation facilities and restaurants in its tour packages. Also, the volumes of tours it provides does not earn the company any bulk buying discounts or bargaining power with the few suppliers which it does use. Beta, provides bespoke tours to clients which is usually tailor-made from scratch therefore with each tour being unique, it would not always use the same suppliers (accommodation facilities, catering companies, attractions sites) frequently enough to warrant preferential pricing contracts. However, they do bargain with suppliers for discounts due to the size of the groups they bring on tours. This normally works in their favour more often than not.

Gamma, is a fairly unique case in this regard. It has two other sister companies (one in Gauteng and one in Durban) which operates totally independent but under the same brand name. Each independent outfit has its own version of the brand. This gives the appearance of a large group organisation and affords each individual business preferential rates with accommodation and tourist attraction suppliers. Delta, Rho and Theta all fall under the same group company which is listed on the Johannesburg Stock Exchange (JSE). When purchases are made with suppliers it is done via the group's listed holding company and bulk buying is done on behalf of the three companies. These are then billed back to each company internally via their respective cost centre. This grants the group significant bargaining power with suppliers across the country and in other neighbouring African countries where they provide inbound tours.

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### **Detailed marketing material**

Another KSF related to management control is engaging the market through dissemination of detailed marketing material. With more participants entering the inbound tour operator segment each year, competition for market share is becoming more challenging and tour operators are needing to differentiate their product offering from their peers. In addition to this it is also more important now to get new products and services quicker to market. In this regard, some of the respondents described their initiatives for getting their corporate message to market. Gamma embarks on an extensive print media campaign each year with 120,000 multi-page full-colour tour brochures printed per annum, which is available at most local accommodation establishments and tour information centres. This gives their clients and prospective clients direct access to their range of tourism products and relevant information about them. Similarly, Delta, Rho and Theta produce print and web brochures of their products which get disseminated physically at hotels and places of interest around the country and electronically to a broad web-mailing list. However, it must be noted that not all the tour operators adopted this as a KSF for their business and subsequently do not invest in extensive marketing material initiatives. Alpha, rather relies on the branding of its vehicles for marketing and Beta's main marketing drive is through referral business and social media – Trip Advisor in particular – doing little print media.



## **4.5 Key Success Factors enhance competitive advantage**

KSFs help businesses strategically position themselves in the industry by excelling at one or more dimensions of competitive strategy. This is recognised as a superiority gained by an organisation when it can provide the same value as its competitors but at a lower price, or can charge higher prices by providing greater value through differentiation. Competitive advantage results from matching core competencies to the opportunities created through customers' needs and demands. After characterising the competitive strategies of each case, the main strategic dimensions, as identified by Porter (1980, p.127), were categorised according to *cost and pricing* and the *level of specialisation and customisation* of the service provided.

### **4.5.1. Cost and pricing**

#### ***Cost position***

This refers to the extent to which an organisation seeks the low-cost position in producing the touring services offered to tourists through minimizing business overheads and optimally



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utilising equipment and facilities. Alpha, strives to achieve this by trying to keep its operational costs as low as possible, by offering tour products it can produce cheaply in relation to its peers. This affords it the ability to provide tours at prices which are lower than competitors and are targeted at more-price conscious tourists.

### ***Price and price policy***

According to Porter (1980, p. 128) price is a distinct strategic variable. Pricing assists the tour operators to position themselves in the market in relation to the quality of the touring product and service they provide. Premium tailor-made tour products offered by a company such as Delta allows them to charge premium prices in relation to competitors. Also, standardised tour offerings such as that offered by Alpha, Gamma and Rho and Theta's FIT segment sees them charge lower prices than the highly customised offerings of Beta and Delta.

Price policy is also a key way that tour operators compete for business. For example, Theta adopts competitive pricing for certain clients that have been customers for twenty years or so and due to the long term relationships that have been built up, the customer gets given a discounted rate.

### ***Leverage***

The amount of financial and operating leverage a company bears, heavily impacts on the profitability and the pace at which a firm can grow. High debt-equity ratios can burden a business due to significant interest payments. The owners of Alpha and Beta made mention of how difficult it's been for them to grow their respective businesses over the years due to financial constraints.

Alternatively, a firm could be a unit of a highly-diversified conglomerate, or part of a cluster of related businesses in a particular sector, such as tour operators: Delta, Rho and Theta, who belong to the same holding company and operate in the same sector. According to Porter (1980, P. 128), the nature of the relationship with the parent will influence the objectives with which each firm is managed, the resources available to it, and perhaps determine some operations or functions that it shares with other units (with resulting cost implications). Delta, Rho and Theta, belonging to a group structure allows them to leverage off of shared resources and have greater access to capital & financing and greater buying power. This reduces business overheads and drives costs lower.

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#### **4.5.2. Level of specialization and customization**

This refers to the degree to which a business focuses its efforts on the breadth of the product offering, the target customer segment/s and the geographic markets that will be served. It is appropriate to say that each of the tour operators have targeted their respective customers based on their core capabilities. As a result, some have crafted their competitive strategy by focusing on a niche segment of the market and offering a highly specialised service which caters directly to that's segment's needs. Example, Beta only focuses on providing cycle tours primarily to international tourists based on the owners' extensive experience in bicycle touring.

#### ***Service Quality***

The level of service quality, in terms of creativity, delivering according to specifications, adherence to regulations and the features of touring products, is a formidable aspect of competitive strategy which can easily set one tour operator apart from another. For example, Theta focuses heavily on understanding the culture of each source market and aligning its services to cater to these finer cultural nuances. They have many tour guides who speak multiple languages such as French, Italian, German, Indian, Chinese and Spanish. Other smaller tour operators such as Alpha, Beta and Gamma are limited in this regard.

#### ***Brand identification***

According to Porter (1980, p. 127) this refers to the degree to which a firm seeks brand identification, rather than competition based mainly on price or other variables. It can be achieved via advertising, sales force, or a variety of other means. Delta, Rho and Theta stress the importance of their brand in the market place and go to great lengths to market the brand and protect it. Word-of-mouth referral is a powerful medium to further each of their individual brands in the market place.

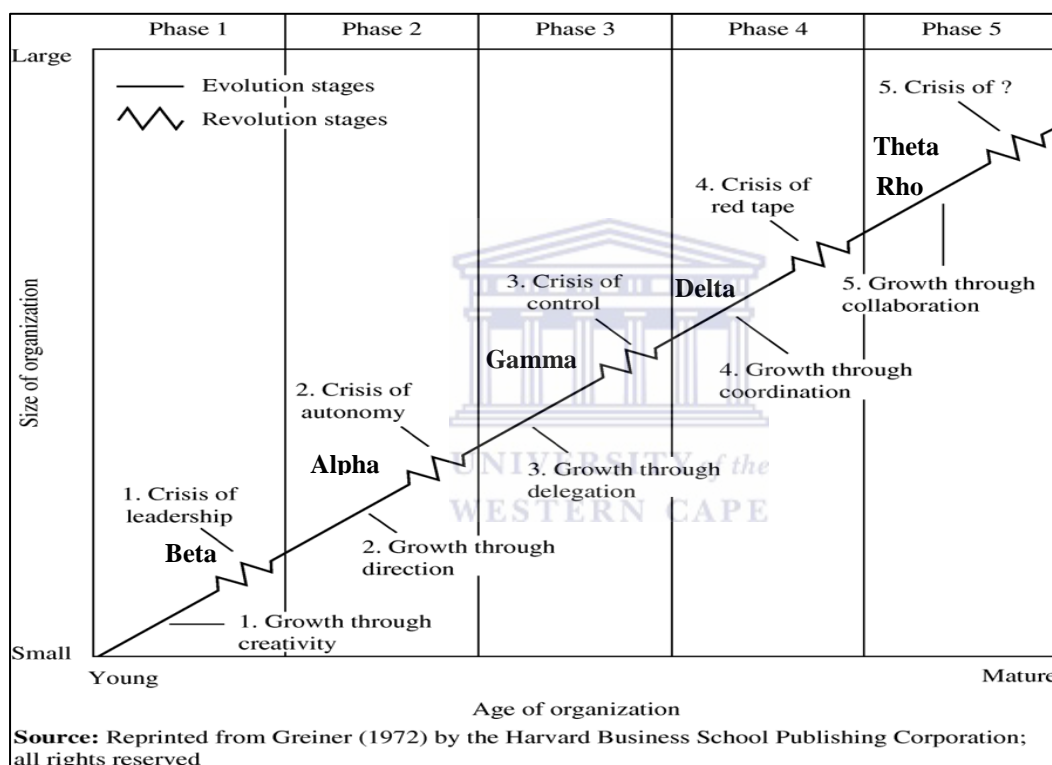
#### ***Technological Leadership***

Throughout the investigation into the KSFs of inbound tour operators, technology and its use within the operations of the tour operator businesses has been quite pronounced. Technology in this sense refers to the degree to which a tour operator seeks technological leadership versus following or imitation. Gamma is a prime example of how it differentiates itself from competitors using technology as an enabler to do so. By offering wireless internet connectivity to all tourists on-board each tour it caters to a very important need of the FIT market segment, the desire to always be connected to the internet whilst touring the country.

## 4.6 Growth and Internationalisation

Each organisation in the investigation has described the KSFs that they focus on and have built their capabilities to meet these attributes, and in so doing, service the international tourism market in their own unique way. The fact that each organisation has been in existence for more than twenty years provides good evidence of the successful implementation of their respective competitive strategies, as discussed earlier. This has afforded each organisation the ability to grow, albeit at different paces, as can be seen in the diagram below.

**Figure 4. Growth stage of each inbound tour operator**

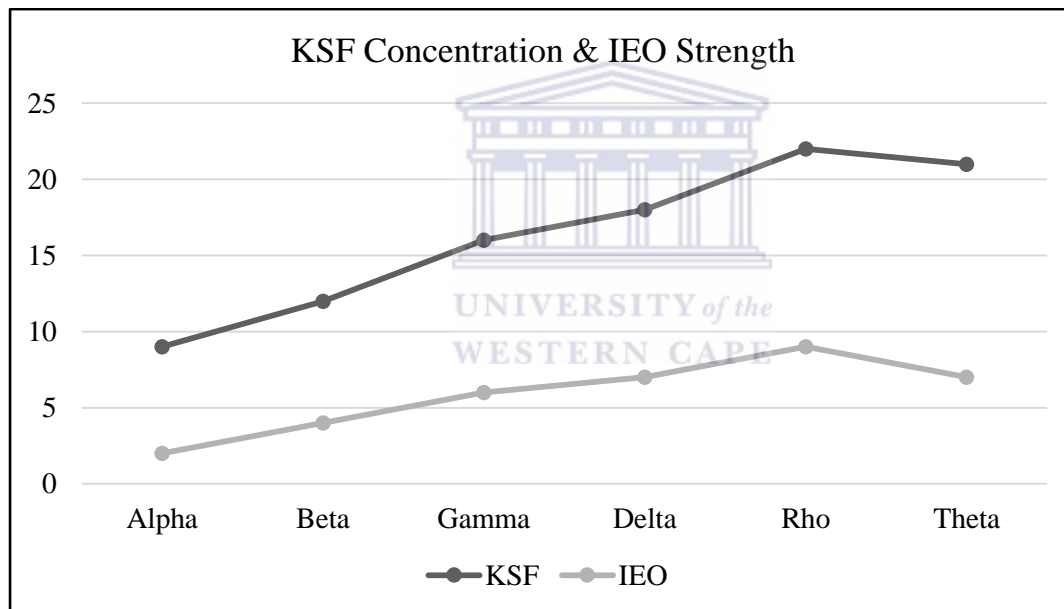


Having assessed the leadership style of the owner-managers in each interview and identified the size of each organisation according to specific criteria (turnover, number of employees and number of offices), the growth stage of each tour operator was ascertained using Greiner (1972)'s growth model. The smaller tour operators, Beta in phase one and Alpha in phase two, still require a large degree of direction from by the owner-managers, especially in the day-to-day operations of the business. Gamma has progressed further in maturity largely due to its more formal structure and the functional departments which are highly responsible for the day-to-day running of the business. The owner-managers delegate functional responsibilities to staff within the company's various departments. Delta focuses heavily on its supply chain to achieve

offering a high-quality service to the high-end luxury segment of the international tourist market. This puts a large emphasis on the coordination abilities of the organisation with its suppliers and subsequently the business is in the growth stage driven through coordination. Rho and Theta, both engage in collaborative activity with firms abroad through strategic partnerships. Their respective companies are able to grow into new markets through the collaborative efforts with their strategic partners abroad.

It is also interesting to note that the factor concentration of each organisation also speaks to the level of strength of international entrepreneurial orientation that the owner-managers adopt within their business. A depiction of this is provided in the figure 5 below.

**Figure 5. KSF Concentration and International Entrepreneurial Orientation**



For example, Alpha has the lowest KSF concentration matched by the weakest level of international entrepreneurial orientation and subsequently the least amount of resources invested in the internationalisation of its business. On the other hand, a tour operator such as Rho has the highest concentration of KSFs with the highest willingness to engage in internationalisation activities. Subsequently it has the largest investment in resources to internationalise its business. The findings regarding international entrepreneurial orientation of owner-managers and its influence on their internationalisation activities is presented further.

## 4.7 International entrepreneurial orientation

According to Freeman and Cavusgil (2007, p. 3), “*International entrepreneurial orientation* refers to the behaviour elements of a global orientation and captures top management’s propensity for risk taking, innovativeness, and pro-activeness in undertaking business activities abroad”. The table below gives a description of the global orientation of the managers of the various tour operators by looking at three key elements identified by Lloyd-Reason and Mughan (2002). These are the owner-manager’s level of openness to foreign culture; the willingness of an owner-manager to embark on internationalisation and the willingness of an owner-manager to embark on activities in foreign countries.

**Table 6. Influence of international orientation on internationalisation strategies**

	<b>Level of openness to foreign culture</b>	<b>Willingness of an owner-manager to embark on internationalisation (sales of outputs to foreign markets)</b>	<b>Willingness of an owner-manager to embark on activities in foreign countries</b>
<b>Alpha</b>	Low – Minimal effort made to engage directly with foreign markets.	Mediocre level of willingness.	Low willingness to embark on activities abroad. Web-based marketing activities in foreign countries predominantly used.
<b>Beta</b>	High – Owners emphasize growing their own cultural capital by travelling in foreign countries.	High willingness to attract business (sales) from foreign markets.	Mediocre willingness to embark on activities abroad. Web-based marketing activities in foreign countries. Sparsely visiting foreign travel agents on an annual basis. Being registered with local and foreign travel associations.
<b>Gamma</b>	High – Owners have strong home ties with France and other European countries.	International markets are the company's primary focus. Marketing initiatives to foreign markets.	High willingness to embark on activities abroad. Owners make frequent visits to their top source markets. The nature of these visits is to market the company’s product offering in South Africa at foreign tourism and travel shows and disseminate marketing material at key events and also tourism accommodation sites around Europe.

<b>Delta</b>	High – Company focuses on building strong relationships with business associates in foreign countries and conducts market research on existing and new source markets.	High willingness to attract business from foreign markets. International markets are the company's primary focus. Marketing initiatives to foreign markets.	High willingness to embark on activities abroad. Commissions to agents abroad, Marketing Activities in Foreign countries. Conducting tours in Zimbabwe, Namibia, Mozambique, Botswana and Zambia.
<b>Rho</b>	High – Company focuses on placing resources (representatives and offices) in each of its major source markets to get an understanding of the market on ground-level.	High willingness to attract business from foreign markets. Sales to international markets are the primary focus of this business - budgets and targets set and the primary function of the CEO is to grow the business and its international market share.	High willingness to embark on activities abroad. Investing resources in countries abroad, setting up strategic relationships with agents abroad. Brand establishment in foreign markets - Conducting tours in Zimbabwe, Namibia, Mozambique, Botswana and Zambia.
<b>Theta</b>	High – Company focuses heavily on understanding the culture of each source market and aligning services to cater to these finer cultural nuances.	High willingness to attract business from foreign markets. Sales to international markets are the primary focus of this business - budgets and targets set.	High willingness to embark on activities abroad. Investing resources in countries abroad, setting up strategic relationships with agents abroad. Brand establishment in foreign markets - Conducting tours in Zimbabwe, Namibia, Mozambique, Botswana and Zambia.

Having identified the relationship between each owner-manager's international entrepreneurial orientation and the subsequent impetus displayed of each owner-manager to engage in internationalisation, one can begin to map out the internationalisation patterns of each organisation to build context for how they eventually go about implementing their respective internationalisation strategies. The following section (Table 7) describes the international orientation of each organisation and its venture type since inception and how each tour operator engages with international markets through their contact and location to these foreign markets. This helped form a critical evaluation of how inbound tour operators in SA engage with the foreign market.

**Table 7. Inbound Tour Operator Internationalisation patterns**

	<b>International Orientation (Venture Type)</b>	<b>Location to foreign markets</b>	<b>Contact with Foreign markets</b>	<b>International sales ratio to Company's Total Sales</b>	<b>Main Tourism Source Markets</b>
<b>Alpha</b>	Born Global at inception - subsequently diversified	Physical interface with foreign customers - None	Internet-based communication and transactions; Referrals (Word-of-Mouth) through corporate avenue - limited active internationalisation	20%	Germany & UK
<b>Beta</b>	Born Global from inception	Physical interface with customers - None (tried it but didn't work)	Internet-based communication and transactions; Referrals (Word-of-Mouth). Infrequent visits abroad to meet customers.	80%	US & Europe (UK)
<b>Gamma</b>	Born Global from inception	Physical interface with foreign customers - None	Owners' strong-ties with home country (France) and broader Europe and frequent visits	100%	Europe (France & UK) & US
<b>Delta</b>	Born Global – Destination Management Company (DMC)	Affiliate agents' offices abroad and operational facilities in Southern African countries	Retail travel agents selling company's tour packages abroad and conducting tours in other Southern African countries	100%	US, Australia, Canada
<b>Rho</b>	Internationally active	Affiliate agents' offices abroad and operational facilities in Southern African countries	Retail travel agents and attending travel roadshows selling company's tour packages abroad and conducting tours in other Southern African countries	90%	US, Canada, UK, Australia,
<b>Theta</b>	Born Global from inception	Affiliate agents' offices abroad and operational facilities in Southern African countries	Retail travel agents and attending travel roadshows selling company's tour packages abroad and conducting tours in other Southern African countries	90%	US, Canada, Emerging Markets (Brazil, India & Asia)



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## 4.8 Internationalisation Strategies

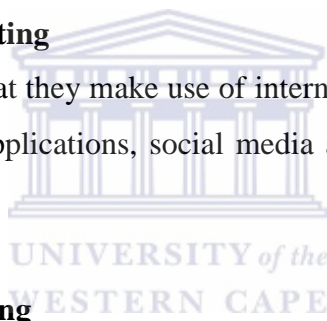
According to (Twarowska and Kąkol, 2013, p. 1007) foreign market entry strategies differ in the degree of risk they present, the control and commitment of resources they require and the return on investment they promise. There are two major types of entry modes:

- 1) *non-equity mode, which includes export and contractual agreements,*
- 2) *equity mode, which includes joint venture and wholly owned subsidiaries.*

None of the cases in this study have adopted the second mode of entry, i.e. none of them have subsidiary companies in foreign markets or joint ventures setup with local firms in foreign markets. Rather, the first mode of foreign market entry dominated the responses of participants that have had their business venture into countries abroad. Six common themes emerged in the responses provided to the questions on internationalisation strategy and speak to the “exporting and contracting” behaviour of internationalisation. These themes are discussed below.

### 4.8.1 Internet-based Marketing

All the respondents mentioned that they make use of internet-based marketing in one form or another such websites, mobile applications, social media and web advertisements to attract business from foreign markets.



### 4.8.2 Intermediary Marketing

Intermediary Marketing, in the context of this study, refers to the distribution of tour products which takes place by means of channels, and the intermediaries are the independent groups or organisations within the channel that make the product available for consumption to end clients. Alpha does not have a formal internationalisation strategy for the business and therefore does not implement a formal distribution strategy to specifically target international business. However, the company’s website and electronic communication with foreign based travel agents and businesses is how it gains access to international tourists.

The owners of Beta have done extensive travelling abroad and built up a large network of clients in the form of travel agents and tour operators in foreign countries, particularly, in the North American and European regions. They market their niche product offering to these intermediaries.

Gamma has a large drive to attract business from FIT’s and therefore focuses its marketing activities using web-based technologies. Extensive advertising on websites of foreign travel agencies and tour operators, social media platforms such as Facebook and TripAdvisor and



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local accommodation establishments. Search Engine Optimisation (SEO) plays a large role in their distribution channel to ensure that their company's website is *'front and centre'* when foreign customers conduct online searches for tours in South Africa.

Delta, Rho and Theta all adopt similar international intermediary marketing initiatives. These international marketing initiatives involve participating in foreign Travel and Tourism Trade Shows to gain access to foreign travel agents and tour operators. Once relationships are setup and contractual agreements are put in place, these foreign intermediaries act as retailers of the inbound tour operators' products in their home country, as they understand the market better and already have an established brand and network of clients in these foreign markets. Local annual Trade Shows in South Africa also serve as a meaningful platform for Delta, Rho and Theta to showcase their products and services to international travel agents and tour operators who come to attend the symposium and build contacts in Southern Africa.

#### **4.8.3 Affiliate representation**

It was mentioned earlier that the cases in this study do not follow the subsidiary or joint venture mode of entry into foreign markets. However, this does not mean the tour operators do not have representation in these foreign markets. Affiliate representation, which refers to a person domiciled abroad connected to the tour operator organisation, is a key insight which emerged whilst investigating the international activities of Delta, Rho and Theta. This affiliated person acts as an arm of the organisation in that market and has the duty of promoting the tour operator's business to tour operators and travel agents in their respective region and also directly to potential tourists. They are supplied with marketing material by the tour operator and assistance with setting up an office from which to work from. They are contracted and remunerated on a retainer and commission basis and work exclusively for the tour operator. In essence they are tied-agents for the tour operator in that particular market.

#### **4.8.4 International sales initiatives**

As mentioned earlier, Alpha's commitment to international sales is weak and as a result not much resources have been invested in the systems and activities to specifically boost its international sales ratio in relation to its total sales. The only initiative to drive foreign market sales is its website and social media presence. However, it does actively market its tour offering to many of its corporate clients who book transport and travel for conference and meeting delegates in Cape Town.

Beta, despite not investing heavily in offices or staff in foreign countries, they are investing in

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resources to meet foreign target markets' tourism standards. Safety and security is a critical component of the tour offering that international tourists are quite cognisant of and specifically request. As a result, the owners attend annual workshops abroad to gain safety and security accreditation in Australia and the United Kingdom for their cycle tourism product offering.

The owners of Gamma have strong home ties in Europe and make frequent visits to their top source markets. The nature of these visits is to market the company's product offering in South Africa at foreign tourism and travel shows and disseminate marketing material at key events and also tourism accommodation sites around Europe. The rationale behind this is that tourists visiting in Europe can also be 'converted' to tourists wanting to visit South Africa.

Delta, Rho and Theta all have sales and marketing staff who annually attend Travel and Tourism Trade shows. Budgets and resources are dedicated to this strategy each year. The staff members go with the objective of visiting travel agents (new and existing clients) overseas and market the company's product offerings through sales presentations and marketing material. Lastly, one of the important tactics implemented by these tour operators is entertaining existing clients in these markets. Rho in particular spends quite a substantial amount of financial resources on this aspect of the sales strategy.

#### **4.8.5 Relationships & networks abroad**

This strategy focuses on the network relationships, which essentially are the external relationships, alliances and cooperation developed with suppliers, customers and business associations in other countries.

As mentioned earlier, the international entrepreneurial orientation of Alpha is relatively weak compared to its peers and therefore the network relationships it has established abroad are considerably under-developed. Its access to foreign markets is aided by its relationships with local businesses who have foreign subsidiaries or parent companies. As such, it is through foreign members of these businesses who visit South Africa that they mainly gain access to international tourists.

Beta leverages off the strong cultural capital of its owners and the network relationships they have built over the years through their extensive travels abroad and in South Africa. A strong reliance on reputation and referral business amongst customers is a significant contributor to their distribution strategy.

Similarly, Delta relies on a good reputation in the market and referral business amongst customers is a significant contributor to their distribution strategy as well. Their offering is targeted toward affluent international tourists and therefore their relationship and network of

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high quality suppliers is critical to their ability to offer a premium product to their customers. Rho achieves establishment of network relationships abroad through its extensive international sales strategy which puts them in touch with a broad spectrum of travel agencies and tour operators abroad. They also undertake having a membership with Tourism Associations abroad. Rho belongs to two associations in North America, the United States Tour Operator Association (USTOA) and the American Tour Association (ATA). The firm pays membership fees to these associations each year, which in turn assists with the marketing of the business to the United States tourist market. Rho has also developed strategic partnerships with foreign tour operators in markets which are difficult to penetrate. In Northern-Nordic countries they are one of the only SA inbound tour operators to have a relationship with a company in Denmark. They currently work with a large tour operator in what is considered a prime target market. This gives them a competitive advantage over other South African inbound tour operators who want to get in the Northern-Nordic countries, Sweden and Denmark.

#### **4.8.6 International Standards**

International tourists have become more demanding over the last decade and require higher levels of assurance in terms of the tourism products and service they buy from travel agents and tour operators. Therefore, meeting international tourism standards is a critical way that inbound tour operators internationalise their business in order to be awarded work from foreign markets. For example, Beta focuses heavily on developing its company and staff's capability by obtaining an internationally accredited status from the UK cycling federation, designating their niche cycle tourism services as being safe and suitable for the international tourist.

### **4.9 Conclusion**

This chapter attempted to present the results, and analysis thereof, used to arrive at the eventual findings of the research process. The outcome can be summarised as follows: twenty-three factors were deemed critical by research participants. These factors were varied for businesses at different growth phases and influenced their competitive strategies in different ways as well. A relationship was also identified between the concentration of these critical factors and the willingness of owner-managers to embark on international activities. These international activities were found to take place using a non-equity mode of foreign market entry and yielded six key activities used by SA inbound tour operators to internationalise their businesses. The overall findings presented in this chapter form the basis of the responses to the four main research questions. These responses are discussed further in the next chapter.

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## 5. Analysis and Discussion of Findings

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### 5.1 Introduction

Bell, Crick and Young (2004, p.26) established that there is a strong linkage between a firm's market focus and the strategic direction it adopts. This study illustrates this linkage by achieving the objective of identifying KSFs as determinants for competitive strategy in inbound tour operators in SA's Travel and Tourism industry. Furthermore, these KSFs are characterised according to three dimensions, market responsiveness; utilisation of resources and management control as operationalised by Thomas and Long (2001).

The aim of this chapter is to illustrate and discuss the main KSFs for business competitiveness and growth of inbound tour operator firms operating in the SA Travel and Tourism industry based on the following research questions:

1. *What are the main key success factors for inbound tour operators operating in the SA Travel and Tourism Industry that contribute to firm competitiveness and growth?*
2. *How do these KSFs differ for tour operators at different stages in growth / size?*

Secondly, it demonstrates how these KSFs contribute toward inbound tour operator firms internationalising their businesses:

3. *How does the international orientation of entrepreneurs / managers influence the internationalisation activities of inbound tour operators in the SA Travel and Tourism sector?*
4. *How do inbound tour operators in the SA Travel and Tourism sector internationalise their business?*

The heuristic model developed in the literature review chapter provides useful guidance in the analysis of the findings. However, the model described in Johanson and Mattson (1993) is linear in its approach and the results of this study suggest that the process of inbound tour operator firms developing their competitive advantage and engaging in internationalisation is more dynamic and iterative. Therefore, by comparing and contrasting the results of this study with existing literature a clearer conceptual model is proposed based on the empirical findings.

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## **5.2 Research Question 1 - What are the main Key Success Factors of Inbound Tour Operators in SA?**

The findings of this study identified twenty-three factors across three broad dimensions. However, previous studies (Lee, Han and Shu, 2011; Thomas and Long 2000; Lin, 1998) follow the approach that there are only between three to nine KSFs that best explain the activities that are most crucial for a business to be successful in a particular industry. Therefore, under each of the three dimensions identified by Thomas and Long (2000), three factors were chosen as main KSFs according to a hierarchical analysis (Lee, Han and Shu, 2011). This process yielded nine KSFs in total and according to the criteria initially established in the literature review, under the original definition of a KSF, these factors are variables which management can influence through its decisions that have significantly affected the overall competitive positions of the various firms in the industry (Hofer and Schendel, 1978).

### **5.2.1 Market Responsiveness**

According to Thomas and Long (2000, p. 318) this determinant category centres on the importance of continually surveying the developments within the market environment and critically responding to changes in a manner which provides maximum opportunity for the business to achieve its objectives. In this regard three main factors were identified under this determinant category and are discussed further.

#### **5.2.1.1 Internet-based interaction with clients**

Harnessing the power of technology to improve the interface with customers is a major facet of how inbound tour operators in South Africa conduct their business. For these businesses, it has required investment over time in infrastructure, equipment and staff training in order to develop seamless business interactions that result in a convenient experience for their customers and also provide operational efficiency both in the back and front office of their businesses. This assertion is supported by Lee, San and Hsu (2011) who identified that it is a KSF for tourism firms to focus their capacity on developing online booking and marketing systems. Therefore, internet-based interaction with clients has allowed for better communication and service of customers who require quick turnaround times to their queries. One respondent recalls the necessity of progress in technology over time within the business in order to respond to a rapidly growing market demand,

*“So I started in 1987 with this company and 1987 was still very bad times up to 1989 and PW*

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*Botha came into power and we were still working telex machines. Not even fax machines yet. Back then we had three consultants, today we have over 60. You can see the effect that we have grown in 29 years and in 1990 it started pouring in from many countries, there were still no flights from America. There were still no direct flights into Cape Town from abroad, I can't remember what year they started direct flights, 1993 it started going crazy. We had our best years in 1995, not better than what it is today but the jump, from 1993-1995 went crazy, like somebody's blood pressure shoots up. It was just unreal. You couldn't cope with what was coming in. Every morning we would sit next to all the telexes and say we could do that one, I know that one, then we would number them. There was a flood of enquiries and there were more than 50% less inbound tour operators, so we couldn't cope with the amount of work that was coming in. We also had to educate our clients; Americans still thought lions were in Adderley Street. They didn't even know if they could use credit cards."*

Today internet-based interactions with clients form the backbone of most inbound tour operators' business operations in South Africa. It is of paramount importance that market participants are able to get this facet of the business right. This is supported by Lee, San, Hsu's, (2011) finding that the establishment of the channel for communication and interaction with tourists is a KSF for the competitive advantage in the tourism industry. Speed of information flow between the customer and the tour operator is critical to the initial type of service experienced by the client. But even though all the respondents identified this as the main KSF, it was evident that the small firms are laggards in ensuring that this aspect of the business is optimally developed.

The owner of Alpha, a small-sized firm admittedly had this to say,

*"...the technological side of it, I think the obvious one is internet based, I would say I'm very late in that regard, I have a terrible website, it's outdated and the processes are even wrong".*

In contrast, other larger firms drive this aspect of the business hard. The owner of Gamma, a medium-sized firm proudly had this to say,

*"Our biggest client is our internet and online bookings. We've been working very hard at that, we've got the whole team that is pushing hard at the search engine optimisation (S.E.O.) and keeping us there and getting people to book."*

### **5.2.1.2 Forging sustainable relationships with customers**

Equally regarded as one of the main key success factors of inbound tour operators when it comes to market responsiveness. "Repeat business" was highlighted by numerous respondents as being a critical factor to sustainability of their businesses, especially in light of the fact that



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the tourism industry in South Africa is quite cyclical. There are periods of slow business during the year and there are periods of booming business, but it is the existence and fostering of strong relationships with customers that allow inbound tour operators to weather the dry spells.

For smaller tour operators, it is a notable fact that they focus building relationships with corporate firms in South Africa as a prominent source of business. The owner of Alpha had this to say about how they forge relationships with their main tourist clients,

*“Forging relationships especially on the corporate side is critical, tourism is not just that tourists come into the country, we have a lot of tourism which is internal so you will have people from Johannesburg, Durban, PE, not just foreigners like Germans or Americans, it’s not just that, its local tourism. Part of that local tourism is the corporate side like people coming down for conferences, people don’t think along those lines. They think of tourism and they start thinking of the people they know in Germany, America or in the UK. That is just a fraction of it. We probably do more work on the touring side of the business through our corporate companies than we do with the foreign visitor.”*

Large tour operators such as Rho and Theta who deal extensively with intermediaries such as travel agents and tour operators abroad have the following view when cultivating relationships with their customers. The CEO of Rho had this to say:

*“I think with our industry, remember we are selling an intangible product, we are selling dreams. I can’t say to you that it’s a tangible product, I can show you a brochure that you can see, you can’t touch it or feel it, so I’m selling a promise I will deliver when you get there and that’s why our product is based on the most important thing which is a relationship with our customers.”*

### **5.2.1.3 Product development for target/niche markets**

Analysis of the findings from this study identified five key segments of the inbound tourism market. These are: tourists in the Meetings, Incentives, Conferences and Events (MICE) segment; tourists that are FITs seeking flexible touring solutions that allow them to tour the country independently; tourists who prefer to tour the country by buying a packaged tour and form part of a large tour group; luxury tourists who prefer to tour a country in opulence and lastly, tourists who seek a highly specialised and differentiated touring experience. Therefore, keeping these segments in mind it is important that tour operators focus on the development of local cultural tour products that are suitable to the target market they aim to serve. This decision



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will inevitably influence the type of operational capacity (staff, equipment, vehicles, etc.) the firm needs in order to produce the appropriate tour offering. This KSF is supported by Lee, San and Hsu (2011) who identified that it is critical for tourism firms to focus their capacity on creating differentiation of local cultural tour products in order to be successful.

## **5.2.2 Utilisation of Resources**

According to Thomas and Long (2000, p. 318) this determinant factor centres on the importance of not just human resources but also the physical and financial resources utilised in the production of the tour operators' services. It encompasses issues such as, training and skills development, capital investments, technological improvements and management of labour turnover. These KSFs which relate to the resources of tour operators are discussed below.

### **5.2.2.1 Knowledgeable Staff to manage the vendor-customer relationship**

Human capital is highlighted by all the tour operators in this study, along with previous scholars (Thomas and Long, 2000; Evans, Campbell and Stonehouse, 2003; Lee, Han and Shu, 2011) who have studied KSFs in the tourism industry, as the most critical resource necessary for the success of a business in the tourism industry. The insight and experience displayed by the staff who service international tourists are what drive inbound tour operator organisations. The ability of the individuals to learn and their ability to adapt to change play a crucial role in ensuring that the needs of tourism customers are met reliably and effectively. As Evans, Campbell and Stonehouse (2003) mentions, "In essence it is service quality which is paramount in this industry."

### **5.2.2.2 Develop Infrastructure and Financial Resources to facilitate growth**

According to Evans, Campbell and Stonehouse (2003) the tourism value chain spans across five main sectors: Accommodation, Attractions, Transport, Travel Organisers and Destination Organisation. In addition to all tour operators forming part of the Travel Organiser sector, one common theme identified among the inbound tour operators in this study is that they all also operate in the transport sector. They each provide their own road transportation to tourists in the form of coaches, mini-buses, game-drive vehicles and bicycles. Providing transportation as a core function of their tour packages allows these inbound tour operators to achieve another KSF which is demand flexibility, something that is highly sought-after by tourists when travelling.

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Also, as mentioned before reliability is extremely important when providing service to tourists and this core function is regarded as the most critical component of the tour offering which directly affects reliability. Therefore, inbound tour operators in SA make a concerted effort to control this aspect of the value chain by vertically integrating transportation into their service offering. This function also addresses another important aspect for inbound tour operators, being able to cater to volumes of tourists. Volume is what drives profitability in this industry because of tight profit margins. This is illustrated in the following comment made by the manager of Theta:

*“...there is so much competition that your profit margin is very low. It is based on volumes ...The more packages and the more people coming through the system. Certain of our overseas agents have actually worked very hard on that. So, it is not like you are spending a lot of time putting a family of five together and doing a three-week holiday. profitability is in the volume of packages.”*

Therefore, in order to achieve volume business, inbound tour operators who provide transport as a core function of their tour packages need to invest considerable amounts of financial resources in the vehicles and the staff who operate them. Having access to these financial resources directly affects the pace at which an organisation can grow in this industry. A lack thereof can be detrimental to the success of a business as reflected in the following statement made by the CEO of Alpha, a small tour operator:

*“The main setback for me is not being able to grow when I wanted to grow, not having the opportunity and not having the finance which was probably one of the biggest things.”*

### **5.2.2.3 Role of the Tour Guide**

Evans, Campbell and Stonehouse (2003) stressed the importance of management of the guest-employee encounter, with a key factor being, the abilities and knowledge of individuals servicing customers. Thus, the CEO of Rho had this to say about the importance of the client-facing individuals who service the actual end clients.

*“The tour guide or tourist guide is a very important person in the chain because he is our ambassador; he is the ambassador for the company, the ambassador for the country, so he is both.”*

The tour guide also plays a critical role in the customisation and internationalisation strategy of a firm. Tour operators who wish to target specific foreign markets would need to employ multi-skilled tour guides who can deliver tour guiding in those tourists' native language. For

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example, Theta employs Chinese and Indian speaking tour guides to target tourists from the largest emerging markets in the world, China and India.

### **5.2.3 Management Control**

This determinant factor focuses on the ability of corporate management to develop the organisation's control structures which support the core capabilities of a firm. In this regard, three main factors were identified which address the financial and human controls required to be successful in the tour operator sector of the tourism industry and are discussed below.

#### **5.2.3.1 Financial Stability**

It was identified earlier that inbound tour operators seemingly have capital and labour intensive businesses. As a result, in order to achieve volume business, substantial capital investment in capacity (equipment, premises and staff) is essential to grow and be successful. Thus, financial resources are regarded as a key factor behind the success of an inbound tour operator organisation in the SA tourism industry. The CEO of Rho alluded to the importance of this factor by making the following remark:

*“Financial backing is critical...replacing our entire fleet as you can imagine is daunting. A single coach costs just over 2 million rand, which is why it helps to have huge financial backing from a company listed on the stock exchange.”*

Having access to financial resources assists businesses to operate with a large degree of financial stability, as it allows businesses to meet financial commitments easier, such as paying employees and creditors timeously. This is important since these stakeholders play a crucial role in the value chain of a tour operator.

#### **5.2.3.2 Quality Control**

Thomas and Long (2000) identified that quality control is critical to the success of tourism firms. Also, Evans, Campbell and Stonehouse (2003) highlighted that service quality is paramount in this industry. The findings of this study support these assertions as inbound tour operators place a large emphasis on the quality of the service they provide. This factor represents a variable which management can influence in order to develop the competitive position of their firm (Hofer and Schendel, 1978). It is also a factor that extends to all facets of the business, as illustrated in the comments below:

***Back-end Operations – Service Quality & Customer Care** document of Gamma, “Using a*

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*system called Tourmap, we have designed a booking, plotting and account management system which records, tracks and plots all Tour bookings from the time that it is imputed, to the generation of the invoice or commission specific to the client. This ensures that a booking is not 'lost' or 'forgotten' and that the account pertaining to that booking is automatically generated."*

**Risk Management** – the CEO of Rho had this to say, *"We have another selling feature that I forgot to mention, we have the largest insurance cover that any inbound tour operator in SA has, underwritten by Aon Zurich. We are insured for 200 million rand per incident, now there could be two people in one of our vehicles or there could be thirty-five or forty people in our vehicle. 200 million rand that also covers our sub-contractor. The boat company in Knysna, the open vehicle game drive, the hot air balloon. So, it's basically not just the vehicles, it's the actual value chain, everybody that's involved in the tour product."*

By ensuring that their business implements robust quality controls and delivers a world class service, management of tour operator firms will be readily more able to target and service foreign international tourism markets.

### **5.2.3.3 Flat organisational structure**

One of the advantages of a flat organisational structure is that it elevates the employees' level of responsibility in the organisation. It removes excess layers of management and improves the coordination and speed of communication between employees. Fewer levels of management encourage an easier decision-making process among employees.

In large organisations, such as Rho this flat structure works well largely due to the strong corporate culture which is imbued into employees throughout the whole organisation and at all geographical locations where the business operates.

The flat organisational structure in many of the tour operator businesses facilitates easy communication between internal members of the organisation. But in order for this aspect to develop into a notable KSF it should be augmented by a strong corporate culture and sound internal channels of communication. Among the cases investigated the strongest corporate culture was evident in one of the large tour operators, Rho. Rho's corporate culture is founded on the core values of Service Excellence, Price, Creativity and Passion. This strong positive culture is also seen as an important factor in staff retention and maintaining low staff turnover.

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### **5.3 Research Question 2 - How do these KSFs vary for Inbound Tour Operators at different stages in the growth cycle?**

The results of answering the first research question focused on the KSFs regarded by the majority of the tour operators under investigation as being the most important. These factors formed the nine main KSFs considered critical to any inbound tour operator organisation regardless of its size. However, using Greiner (1972)'s growth model it was possible to identify the phase of growth that each tour operator organisation was in and identify variances in how these KSFs are perceived by each firm at a particular phase of growth. The insights gathered are as follows:

#### ***Phase 1 - Growth through Creativity***

The owners of small tour operator Beta displayed the management style which best describes this phase of growth. The owners are highly entrepreneurial and are totally absorbed in the production of their tour offering and providing personalised service and a unique experience to clients. So much so that they tend to avoid the administrative duties of running a formal business. As a result, their internet-based marketing interaction with clients is basic and underdeveloped. Their website is outdated and their social media presence is limited. Forging relationships with new clients is achieved by mainly leveraging off of referrals. They aim to be well-known for being the biggest and best bicycle touring company in SA, hence their competitive strategy displays characteristics of a focused differentiated strategy (Porter, 1980) which is achieved by offering a highly specialised niche touring service.

#### ***Phase 2 - Growth through Direction***

The owner of Alpha displayed the management style which best describes this phase of growth. In relation to Beta, this inbound tour operator business is more structured, with processes and systems more evident, albeit they are still highly manual-intensive in some areas. In terms of staff, the owner is willing to hire staff with no industry experience and provide on-the-job training as long as the employee is duly registered as a tour guide and professional driver. The owner prefers to finance the company through personal finances and loans instead of external financial capital and is subsequently constrained in the financial resources available to expand capacity. As a result of this approach, the business focuses on providing low cost tours and displays characteristics of a low cost competitive strategy (Porter, 1980).

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### ***Phase 3 - Growth through Delegation***

The owners of medium-sized tour operator Gamma displayed the management style which most aptly describes this phase of growth, as much greater responsibility is given to the functional managers of the business (Greiner, 1972, p 7). The organisation remains flat and this decentralized approach motivates managers to be innovative and drive technological innovations to create a business which is lean, flexible and efficient in the service it provides to its tourist customers. The business hires technologically-inclined & service-driven staff to drive innovation in the business's operational processes and achieve technological leadership in the industry. As a result, the organisation focuses on providing standardized tours to the FIT segment with great flexibility. Due to its standardized tour offering it only requires standard tour guides that are duly registered. However, tour guides should also be able to speak English and another foreign language, preferably French due to the company's main source market being France.

### ***Phase 4 – Growth through Coordination***

In this phase of growth, coordination systems are used for achieving growth through the efficient use of the organisation's limited resources (Greiner, 1972, p. 7). This best describes the way in which Delta is managed due to a large emphasis being placed on how the supply chain is coordinated in order to provide a highly customised experience for its target tourist market. As a result, the business focuses on providing tours that exude creativity and opulence for their clients by hiring highly experienced tour consultants that are service-driven and know how to service the needs of affluent tourists. Tour guides that are multi-skilled and multi-lingual are also sought-after for this service. In order to offer this luxury touring service, substantial resources are required and are made available from the business's parent company, to provide financial backing to develop the necessary infrastructure. High quality and customisation is an extremely important feature of this business's offering and allows the business to position itself through a differentiated competitive strategy.

### ***Phase 5 – Growth through Collaboration***

This phase signifies the upper echelon of growth achievable by an organisation in a particular industry and is characteristic of large organisations, such as Rho and Theta. According to Greiner (1972) this phase focuses on a more flexible and behavioural approach to management which is seen in the flat organisational structure and teams-based collaborative approach evident in Rho and to a certain extent, Theta as well. They demonstrate the KSFs in this phase

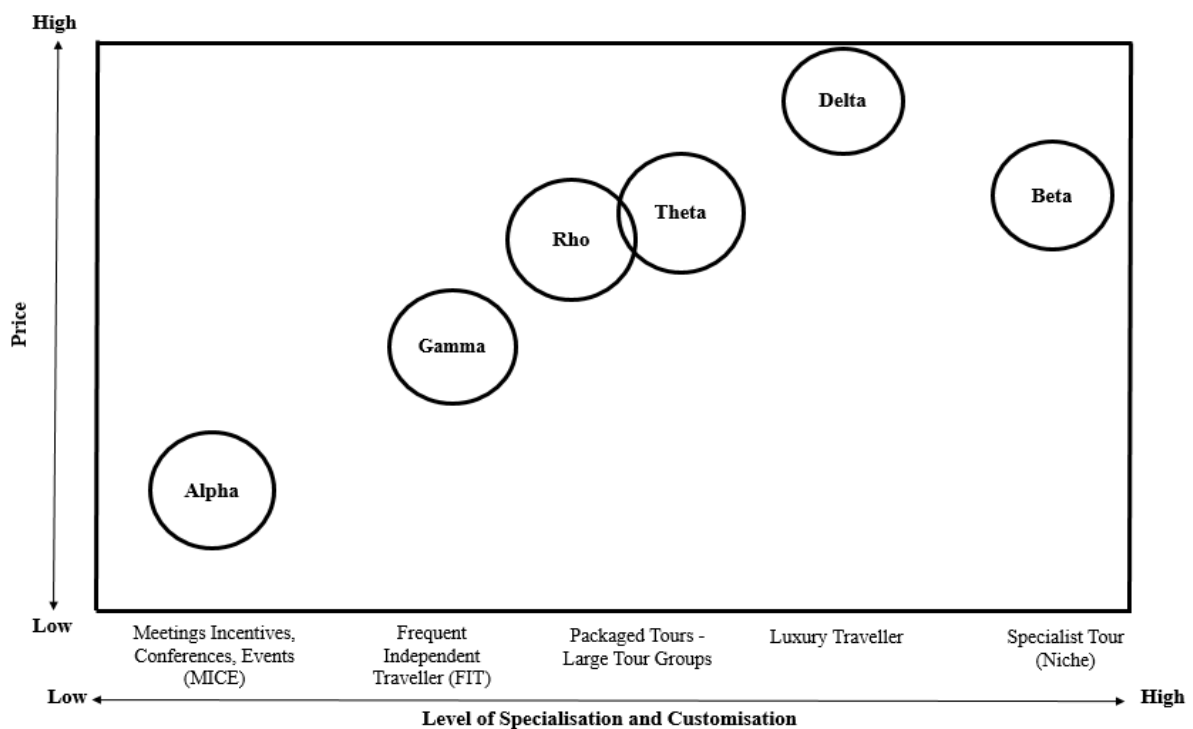


of growth as follows. Internet-based interaction with clients is an integral part of Rho and Theta's businesses and large scale investment of resources at both companies goes into ensuring that their websites, social media presence, online advertising and back-end operational processes are world class. This ties in with their focus of providing highly creative tours at the best possible price which is communicated extensively abroad through internet-based interaction with clients. In providing this offering, both businesses aim to hire highly experienced staff, with constant investment in their capabilities. Low staff turnover and a high level of client centricity are hallmarks of these businesses. A core value system, embodying the ethos of each company, is quite evident in these large businesses. And this extends to back-office employees (tour consultants and team managers) and client-facing employees such as the tour guides and drivers of the coaches. Tour guides are multi-skilled and multi-lingual and are considered to be ambassadors of the organisation. Substantial financial resources are available from the parent company, to provide financial backing to develop infrastructure and drive growth for volume business.

Having identified how each of these firms craft their competitive strategy based on management's differing perception of the KSFs it is possible to map their competitive positions as in figure 6 below, based on price and level of specialisation applicable to each tour segment.



**Figure 6. Competitive Positioning of the Inbound Tour Operators**





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## **5.4 Research Question 3 - How does the international entrepreneurial orientation of owner-managers influence the internationalisation activities of inbound tour operators?**

The international entrepreneurial orientation of the owner-managers of each firm strongly centres on their respective propensities for risk-taking, innovativeness and pro-activeness in undertaking business activities abroad. In addition to this behaviour, Mtigwe (2005) found that there are certain key variables related to the owner-managers that motivate the internationalisation process. These are considered accelerators and include: management international experience; planning orientation: entry mode familiarity and firm age. At least one of each of these variables were seen to be highly evident in the inbound tour operator firms that were engaged in internationalisation. For example, the owners of Beta gained extensive international travel experience before they decided to start their business. Subsequently, their business was targeted at gaining foreign clients from the outset prompting them to market their South African based business in markets such as the United States and the United Kingdom from the beginning.

According to previous studies (Johanson and Vahlne, 1977; Johanson and Mattson, 1993) the internationalisation process of enterprises occurs in stages, mainly after a firm has developed a competitive advantage locally and gained success. This was illustrated in the Uppsala Internationalisation Model developed by (Johanson and Vahlne, 1977) which describes the process as sequential steps in the direction of increased foreign activities. However, it is important to mention that contemporary studies have challenged this approach and argue that internationalisation is not necessarily a gradual and linear process as the Uppsala approach suggests (Amal and Filho, 2010, p. 613). The findings of this study show that inbound tour operator firms actively embark on international activities from inception. Some of the first customers that many of the inbound tour operators serviced were international clients, which required the owners actively taking a risk to go abroad and secure business from travel agents in foreign markets. This is well illustrated in the words of the manager of Delta.

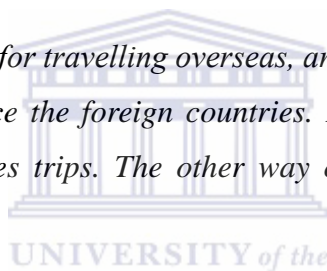
*“The original owner was a teacher. He wanted to set up a tour company, identified a major agent in the USA, went to see them and got his first booking. The objective of the business at the outset was to serve as an inbound ground handler for foreign agents specialising in luxury tours.”*

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This highlights the relationship that international entrepreneurial orientation has with *commitment to international sales*, which is a key component of the definition of internationalisation. This is also in line with findings mentioned by Bell, Crick and Young (2004) which state that born global firms display a characteristic in management that adopts a global focus from the outset and embarks on rapid and dedicated internationalisation.

In addition to the level of international entrepreneurial orientation influencing the timing of when tour operators embark on internationalisation, it also influences the magnitude of resources that inbound tour operators are willing to invest in international activities. The greater the commitment to achieve sales in foreign markets the greater the investment in resources abroad. Rho is an example of an organisation which demonstrates the greatest commitment to internationalisation and has the largest investment in offshore offices and staff amongst the case companies in this study. This is evident in the following comments made by the company's CEO.

*“We put away a lot in our budget for travelling overseas, and our overseas travel commitment we make every year to go service the foreign countries. How do we market our services? Number one, brochures and sales trips. The other way of marketing is through overseas offices...”*



Based on the insights discussed above it can be deduced that the level of strength of international entrepreneurial orientation influences the type of internationalisation strategy adopted by inbound tour operator firms when going abroad, in the form of timing the internationalisation decision and the level of resources dedicated to the internationalisation process. A further discussion is therefore necessary to understand the way in which inbound tour operators in SA go about internationalising their businesses.

## **5.5 Research Question 4 - How do inbound tour operators in the SA Travel and Tourism sector internationalise their business?**

According to Twarowska and Kąkol (2013, p. 1006) companies go international for a variety of reasons but the typical goal is company growth or expansion. When a company employs resources abroad in the form of hiring international employees or searching for new markets

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abroad, an international strategy can help diversify and expand the scope of the business's market share.

In some cases, however, foreign market entry occurs so early in the life of the small entrepreneurial firm that it has not developed its reputation in the domestic market to enable it to raise the necessary volumes of capital required for international expansion (Tannous, 1997). It is under these circumstances that some small entrepreneurial firms with international ambitions may experience de-internationalisation. This notion stands particularly true for the small tour operators in this study who veer away from full commitment of resources to internationalising their businesses based on headwinds experienced in trying to enter and gain business from foreign markets. For example, Alpha's commitment to international sales is weak and is described by the owner-manager as follows,

*“My attitude would probably be disillusioned, from experience, and the way we rather go international is internet based.”*

Inbound tour operators predominantly serve an international market, namely international tourists. This entails the sale of outputs to foreign markets, however, what is peculiar to this industry is that the outputs created by these tour operators are usually consumed in the home country in which the SA inbound tour operator is based. Therefore, in the traditional sense of internationalisation which usually refers to exporting of manufactured products or expansion of operations into foreign countries, it is important to gain an understanding of the way in which inbound tour operators in the South African Travel and Tourism industry grow their businesses internationally. According to (Twarowska and Kąkol, 2013, p. 1007) foreign market entry strategies differ in the degree of risk they present, the control and commitment of resources they require and the return on investment they promise.

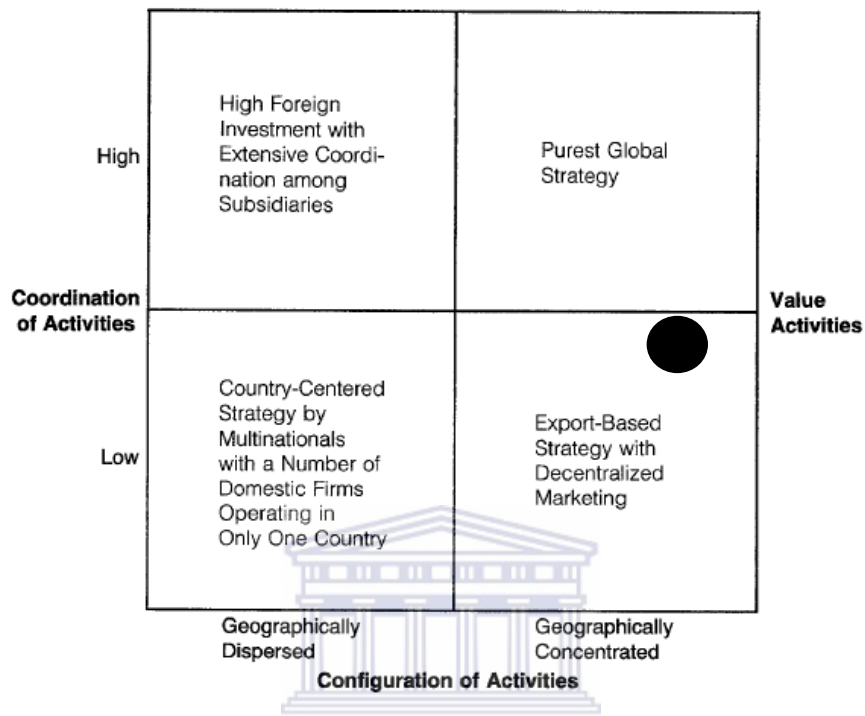
There are two major types of entry modes:

- 1) *non-equity mode, which includes export and contractual agreements,*
- 2) *equity mode, which includes joint venture and wholly owned subsidiaries*

In addition to this, Porter (1986) highlights that international strategy is a matter of geographic scope within the broader competitive scope of how a business derives its competitive advantage. He identifies two important dimensions, *configuration of a firm's activities*, which refers to the geographic concentration of its main upstream and downstream activities, and *coordination of a firm's activities*, which refers to how similar activities are performed in different countries.

These two dimensions are said to influence how a firm competes internationally and is graphically depicted below.

**Figure 7. Types on International Strategy**



(Source: Porter, 1986, p. 19)

The findings of this study showed that all the inbound tour operators are domiciled in South Africa and none have subsidiary companies outside SA. This suggests that these firms are not keen on adopting the equity mode of entering foreign countries. Also, operations of the respective tour operators are all configured in SA where they are all able to leverage off of the comparative advantage which the region provides, as a result of its strong appeal to international tourists. Therefore, it is possible to firmly say that the activities of the inbound tour operators are geographically concentrated and low in coordination and value and graphically depicted by the black spot in Figure 7 above.

Based on Twarowska and Kąkol (2013)'s mode of foreign entry and Porter (1986)'s internationalisation strategies it is evident that the inbound tour operators in this study, which displayed a high disposition toward engaging in international activities, all demonstrate an export-based strategy with decentralized marketing. This finding is strongly supported by the findings of Mtigwe (2005) who, after surveying one thousand eight hundred small and medium

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enterprises across Southern Africa, found that eighty six percent of the firms surveyed, began their internationalisation process with the export mode of foreign market entry. This is one point on which all the internationalisation process models which he examined are in agreement.

### **International Strategy in an internet era**

According to Yip (2000) and Zohari (2012), globalisation and the rise of the Internet are the two most powerful forces affecting business now and as a result, rapid technology development has presented new opportunities and challenges for international business. This phenomenon has challenged conventional thinking, such as the Uppsala approach, on the basis that firms do not only follow sequential steps when internationalising their businesses. Instead contemporary businesses are more affected now by external forces, such as market potential and competitive forces (Zohari, 2012) than ever before. The initial Uppsala Internationalisation Model focused on the controllable internal capabilities of a firm as a way of describing the internationalisation process, but as the response from one of the tour operator CEOs below illustrates, it is necessary to be cognisant of the changes occurring in the global business landscape, in particular, the travel and tourism industry.

*Gamma (CEO): "I think the biggest evolution for us would be the advent of technology, the way people book differently. I think the profile of the client has changed; the client is more informed and more demanding. They have got access to information generally because by clicking a button you can find a whole lot of stuff. There is also price comparison; clients also know how to compare the prices for services. The revolution for me would be this whole access to information and I think that is where we get involved and try to stay ahead of the game, I think that is one of the key things. In terms of evolution, I think companies should be growing all the time, they should be learning from their mistakes and improving all the time."*

As a result of this phenomenon, it has caused managers of inbound tour operator businesses to re-evaluate the way they perceive their foreign customer. The above comments are evidence that the internet has certainly influenced the tactical activities that businesses adopt when engaging and transacting with their foreign customers. Based on the results of this study these international activities for inbound tour operators can be summarised in the following strategies.

#### **5.5.1 Internet-based Marketing**

The internet provides a low-cost platform for businesses of all sizes to build their brand by developing a web-presence. The tour operators in this study made use of websites, digital applications for smartphones, social media, search engine optimisation (SEO) and online

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advertising initiatives to market their respective businesses via the internet to a global audience. It can therefore be said that the internet makes global marketing more possible. As a result, companies now try to use as much as possible global, rather than national marketing (Yip, 2000, p. 6) to reach a broader market. This is illustrated by the following comment made by the CEO of Gamma:

*“We are in tourism industry, that is where our business is. We are dealing with foreigners so international strategy is a major thing for us. That is where the internet also comes in; it is the cheapest way to interact with people. Back in the day you had to physically get on a plane and go sit there and sell, it still happens, people still do it. We have these international trade shows and that is a very important factor also, but these days’ people are booking online and you need to have a cyber-presence.*”

### **5.5.2 Intermediary Marketing**

This is a wholesale approach used by inbound tour operators to get foreign tour operators and travel agents to retail their tour offering within those foreign markets. This entails contractual agreements being setup which details commissions payable to the foreign tour operator or travel agent for all business booked, as well as service level agreements which outline the standards of service required. Amal and Filho (2010, p. 617) found this phenomenon to take place in small international firms in Brazil as well, and describes this as indirect exportation because the firms are mostly operating through international agents.

### **5.5.3 Affiliate representation**

This is a unique way in which some of the inbound tour operators decentralize their marketing initiatives and gain exposure to particular foreign markets, which would be difficult for them to penetrate and service cost-effectively had they established their own subsidiary offices. Regarding this aspect, the CEO of Rho had this to say,

*“We have got an office in America, so we do have an international footprint. We have got an office in Italy. We are going to re-establish our office in Germany and we got an office in Portugal. These are not offices under our brand name, these are companies which are marketing representatives, and they would represent us in that market.”*

### **5.5.4 International sales initiatives**

These types of initiatives include the international tradeshow held throughout each year within the Global Tourism industry. It provides a platform for SA inbound tour operators to showcase



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their tour offerings to foreign travel agents and tour operators across the world. It is used as a powerful means of establishing business contacts in foreign markets and often leads to new channels of distribution. In addition to this, some tour operators undertake extensive sales visits in foreign countries. This initiative entails a fair amount of resources to be employed and is characteristic of firms who have a high level of international entrepreneurial orientation, as illustrated by the following comment from the CEO of RHO.

*“My Europe trade manager has just come back from a trip of five and a half weeks in Europe. UK, Italy, Germany and Sweden. I just got back from Japan, New Zealand and Australia two and a half weeks ago. 23rd September I’m going on that trip to the United States. Our business is to go there and go see our clients. We can’t live there but we have to go there and go see our clients, they appreciate that...we go over and we go see them.”*

#### **5.5.5 Establishing & cultivating a number of relationships & networks abroad to form an international distribution channel**

Establishing & cultivating relationships & networks abroad provide a powerful means of establishing business contacts in foreign markets and often leads to new channels of distribution. In addition, Government departments and Government initiated tourism agencies, such as Southern African Tourism Services Association (SATSA), Tourism SA and Tourism Business Council of South Africa (TBCSA) also form a critical part of the networks established to assist SA tourism service providers. This was also found to be the case in Mtigwe (2005) who identified that small firms internationalise by leveraging off of Government and Trade Associations as an information source. These organisations are tasked with developing and marketing SA Tourism abroad. Many inbound tour operators leverage off of this network and its marketing platform by being registered with one or more tourism associations, which assists with their efforts to internationalise their businesses. This aspect of internationalisation then ties in with the *lobbying with government* factor identified by some inbound tour operators as a critical part to their success.

#### **5.5.6 Alignment with international standards**

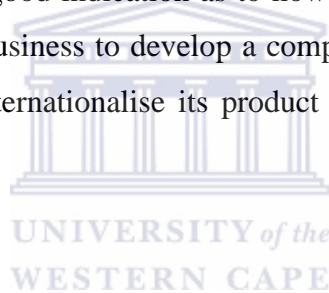
Another way in which inbound tour operators internationalise their business is to align their business practices with international standards. Acquiring internationally recognized “safe Tour Operator” status is a critical component which allows SA inbound tour operators to export



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their tour offering to certain foreign markets who have this as a pre-requisite. An example of a tour operator that has embarked on this tactical international activity is Beta, whose CEO says, *“Just at present we are looking at something that has been showing its head quite a bit specific to our industry which is safety and security. Countries like the UK and Australia specifically are obsessed with safety and they want you to document everything, they want you to put down everything in black and white all of the risks. We began to realize that we are going to have to start playing this game so that we can attract the business. So, Martin (alias name given) has been researching on the UK cycle federation, we need to pay some money each to become a part of the cycle federation and if we become part of it we can then go and do the course which is like mountain biking guide. Then say that we have this international qualification which says that we are doing it all right. And the fact that we are going to do the course and have the certificates that nobody else really has, is going to place us on the top position such that we can set the standards in SA.”*

This particular scenario gives a good indication as to how achieving a particular KSF (Staff Training & Skills) can allow a business to develop a competitive advantage (differentiation) which allows the business to internationalise its product offering to more foreign markets (export).



## **5.6 Conclusion**

Having analysed and discussed the findings of this study it is possible to illustrate the manner in which inbound tour operator firms perceive and interact with their market environment by achieving KSFs, this is known as the industry scope (Porter, 1986). Nine KSFs were identified and categorised according to three dimensions, as developed in previous literature (Thomas and Long, 2000). These KSFs address the first research objective in identifying what are the main factors that inbound tour operator firms in the industry should focus on in order to be successful, irrespective of their size.

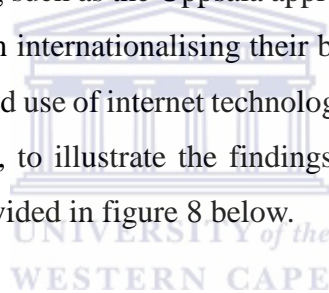
Following this, the chapter illustrates that these KSFs allow firms to develop their strategic focus and the subsequent market segments in which they wish to compete, also known as their segment scope (Porter, 1986). Furthermore, firms also compete based on their individual firm capabilities and the activities they are willing to undertake, also known as the vertical scope (Porter, 1986). It was found that for inbound tour operators in SA, the upstream firm

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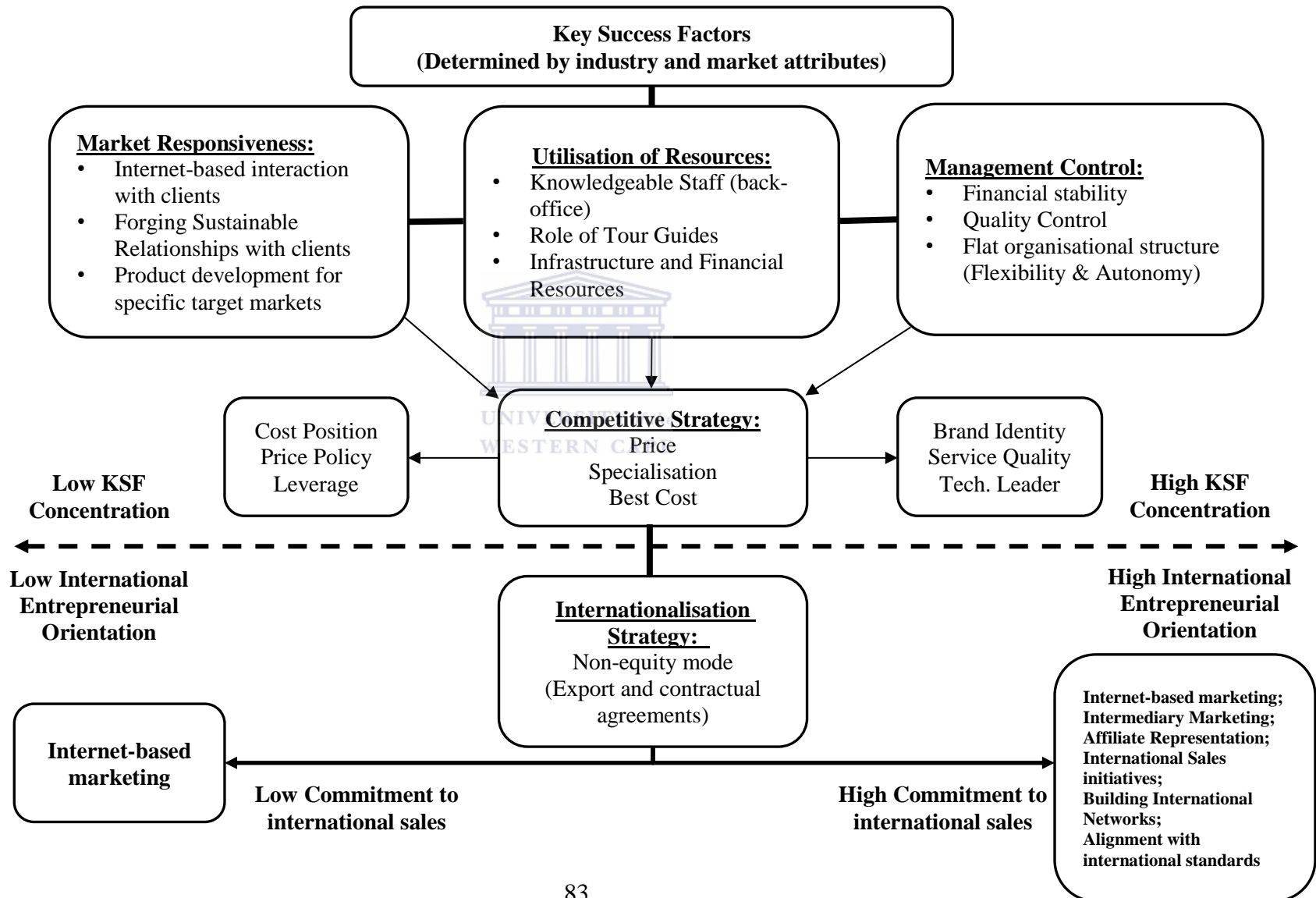
capabilities and activities are geographically concentrated in SA, whereas the downstream activities are situated close to the foreign markets in which customers buy their services.

Simultaneously, it was found that the owner-managers display either a low or high level of international entrepreneurial orientation (IEO) which influences their assessment of the geographical regions the firm should enter and operate in, also known as their geographic scope (Porter, 1986). This aspect of the competitive scope of the firm translates into the international strategy, influenced by the chosen mode of entry, which in this study was found to be the non-equity mode for all tour operators – utilising export and contractual activities to internationalise.

Building on this aspect, it was found that the internationalisation process is more dynamic and supports contemporary studies (Mtigwe, 2005; Amal and Filho, 2010). As result, inbound tour operators tend to internationalise their business from the outset, with this phenomenon challenging conventional thinking such as the Uppsala approach, on the basis that firms do not only follow sequential steps when internationalising their businesses. A driving factor behind this phenomenon is the proliferated use of internet technology in the industry by customers and suppliers of tour services. Lastly, to illustrate the findings and arguments of this chapter, a comprehensive framework is provided in figure 8 below.



**Figure 8. KSFs as determinants for competitiveness & internationalisation of inbound tour operators in SA's Travel and Tourism industry**



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## 6. Conclusion and Recommendations

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### 6.1 Summary of findings

While not many previous studies have been able to yield explicit KSFs for tour operators in the travel and tourism industry, this study has identified twenty-three factors which have the potential to influence the strategic focus of tour operators. Following the approach of previous authors on the subject, these factors were narrowed down to nine main KSFs using a simple hierarchical technique which included ranking the most critical factors based on the importance that respondents placed thereon. Identifying these factors directly addresses the first research objective of this study, which was to determine the main KSFs that contribute toward firm competitiveness and internationalisation in the travel and tourism industry.

Subsequent to identifying these KSFs, it was evident that not all firms consider these factors in the same manner. As a result, the competitive strategy that each firm adopts is a function of how the management of the firm perceives the KSFs and how they respond accordingly with their own internal resources and capabilities. The resultant effect is the development of a competitive strategy on which to compete in the tourism market (Porter, 1980), either through a low-cost strategy whereby firms compete on price (low-cost tours) or a differentiated strategy whereby firms compete on customisation and specialisation (luxury or niche tours). This business strategy is critical as it determines the level of vertical integration that a tour operator will assume within the tourism value chain and the geographic scope of the business. It was also found that simultaneous to developing the competitive strategy is the development of the internationalisation strategy which stems from the initial IEO of the owner-manager of the tour operator firm. The strength of this phenomenon influences the organisation's pattern of internationalisation through commitment to international sales, the resources it commits toward international activities and the breadth of geographical markets it exports its services to.

Lastly, the outcome of this research project was a framework of KSFs as determinants for competitiveness & internationalisation of inbound tour operators in SA's Travel and Tourism industry, which is grounded in empirical evidence and theoretical support.

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## **6.2 Implications of the findings**

### **Practical Implications**

New Inbound Tour Operators entering the industry have clear factors which they can target to achieve in order to achieve success. Also, existing small Inbound Tour Operators can gain a better understanding of how larger, more successful operators build their competitive advantage & internationalise their businesses.

Government departments responsible for Tourism and SME development can utilise the insights gained from the study to improve small business development within the industry.

### **Contribution to literature**

This study explored the linkage between competitive advantage (KSFs) and international entrepreneurship in a Tourism context and identified clear KSFs which businesses need to focus on in order to be competitive and grow in an international industry such as travel and tourism. Addresses the literature gap identified by Gassmann and Keupp (2007, p.216) that “little is known about how internationalised SMEs ensure their competitive advantage”. The results of this study help fill a gap in the lack of literature regarding KSFs for growth in the sector and is also of use to Government policy makers and SME managerial staff in their efforts to grow nascent SME businesses in the sector into established enterprises. Furthermore, the results of this study contribute to filling the gap that despite there being an increasing amount of literature on SME Internationalisation over the past two decades, there is a lack of literature regarding the International Entrepreneurship (IE) activities of service-oriented SMEs, and an even greater lack of IE literature from emerging economies, particularly Africa. Lastly, this study contributes to IE literature by challenging and providing empirical evidence that owner-managers do not always follow a linear approach, as proposed by the Uppsala Internationalisation Model, toward internationalising their businesses.

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## 6.3 Limitations and recommendations for future research

### Limitations

1. This study produced insights into the competitive scope of the inbound tourism sector within the SA Travel and Tourism industry, which may not be generalizable to other countries.
2. The study is also limited in the discussion and insights gained regarding the relationship between achieving KSFs and International Entrepreneurial Orientation. This study did not explore and test the viability of this observation as a relationship.
3. This study was limited in its ability to gain insights into the organisational learning aspect which arises as firms internationalise their businesses in various foreign markets.
4. This study was limited in its ability to interrogate the issue of standardisation vs localisation with regard to internet-based marketing, which is the most pronounced tactical international activity adopted by inbound tour operators.

### Recommendations for future research

1. The research scope of this study focused only on South African inbound tour operators, which is but a fraction of the entire tourism value chain as identified by Evans, Campbell and Stonehouse (2003). Further studies are required to identify KSFs in the other sectors within the tourism industry to provide valuable insights regarding how the international competitiveness of the local tourism industry as a whole may be improved.
2. Having identified 23 critical factors using a qualitative method, it would be interesting to conduct a quantitative survey of a large enough sample of tour operators and apply factor analysis to determine if the same KSFs would materialise using a different research design and method.
3. The results of this study do indeed show that inbound tour operators internationalise their businesses. However, the learning effect of businesses entering new markets is an under-developed area of research. Therefore, identifying how organisational learning influences firms internationalisation is a useful avenue to explore in future studies.

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## 6.4 Final comments

Reflecting on the outcome of this research project it is clear that there needs to be continued research within the travel and tourism industry, especially in light of the fact that it is earmarked as a highly important contributor to our country's current and future economic growth. The industry by nature is one which lends itself to international market exposure, hence firms wishing to be successful in the industry need to be aware of what international tourists consider important to their customer experience when acquiring the services of a tourism firm in SA.

Firms operating in the industry need to be cognisant of the changes occurring in the global tourism landscape and assess the impact that the internet is having on the way in which end clients (tourists), intermediaries (wholesale travel agents and tour operators) and service providers interact and transact within the industry. Furthermore, it is not enough for inbound tour operators to just offer tours that leverage off of the comparative advantage that a particular country or region has, there needs to be a great measure of creativity in the tour products developed and a strong emphasis on the quality of service delivered.

Reflecting on the research design and methodology used in this study it is plausible to say, based on the findings, the approach was highly appropriate for purpose of the study. The findings strongly represent the phenomenon in its social setting and provide good evidence of validity. The use of a standardised interview protocol provides support that this study can be easily replicable and yield similar results.



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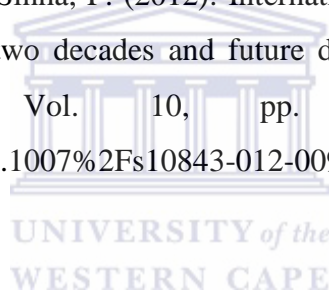
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## 8. Appendices

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### 8.1 Appendix 1: Case study protocol and interview script

#### Case Study Protocol

1. Contacting participants via e-mail and telephone, give a brief description of the research as well as a summary of the research proposal.
2. Telephone contact to arrange times and places for meeting and assist in building initial rapport with respondents.
3. All interviews conducted face-to-face either at the respondent's office, home or a neutral place as agreed upon, as long as it is quiet enough to conduct the interview.
4. Interviews recorded with the use of a laptop after obtaining the respondent's **informed consent** to proceed in this manner and then transcribed shortly thereafter by the researcher.
5. Secondary company data collected via web search and annual reports.
6. Conduct Within-case analysis - detailed case study write-ups for each site.

#### Interview Framework & Questions

*(Adapted from: Bell, Crick and Young, 2004)*

#### PROFILE OF FIRM:

<b>Company Age</b>	
<b>Company Size</b>	
<b>Industry Sector</b>	
<b>Number of foreign markets</b>	
<b>International Sales ratio</b>	
<b>Top Foreign markets and year of entry to each</b>	1). 2). 3).

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**Entrepreneur / Manager Background:**

- A. What is your job title and can you describe your work responsibilities shortly?
- B. How long have you worked here or been operating in the Tourism industry?
- C. Would you consider your firm to be a key participant in the tourism market?
- D. How did you identify the initial business idea and initiate the subsequent formation of the business?
- E. What were the objectives of the firm subsequent to formation of the business?

**Key Success Factors for Tour Operators:**

**(Hofer & Schendel, 1978) & (Thomas & Long, 2000)**

1. How would you describe the economic and technological factors affecting the Tour Operator segment of the tourism industry?
2. Can you describe to me the competitive attributes upon which your firm builds its strategies?
3. What do you feel are the main attributes of a Tour Operator that are critical to the vendor-customer relationship? *Follow up Q.:* How does your firm meet or capitalise on these attributes?
4. In your opinion, what are the key functions, activities or business practices demanded by your firm's market environment and the customers that make use of your Tour Operator service?
5. How have you matched the key factors for success with your firm's internal resources?
6. Which resources contribute toward your firm's core capabilities/competencies and what are these core capabilities/competencies?

**Competitiveness: (Fitzgerald et al.,1991)**

7. What would you say is your firm's competitive advantage over other Tour Operators in the industry, i.e. what distinguishes you from other participants?
8. Can you give an indication of your firm's relative market share and position?
9. What has your firm's sales growth been like over the last three years? And have has growth mainly been experienced in domestic sales or international sales?

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**Business Growth: (Greiner, 1972)**

10. How has the market environment affected the speed at which your organization has grown?
11. How long has your organization been in operation in the industry and can you describe the types of progress (“evolutions”) and setbacks (“revolutions”) the company has experienced over its existence.
12. What would you say are the key factors that have contributed toward the company’s growth and competitiveness?
13. How would you characterize and describe the management style adopted toward growing the business, i.e. creative; directive; delegated; coordinated or collaborative?
14. Does your firm consider internationalisation as a means of growing the company?

**Tourism Internationalisation:**

**(Lloyd-Reason & Mughan, 2002) & (Bell, Crick and Young, 2004)**

Early Internationalisation decisions

15. Does your firm officially adopt an internationalisation strategy?
16. Which countries have you ventured to?
17. What was your attitude toward internationalisation to these countries?
18. How does your Tour Operator firm go about internationalising its services to attract foreign market share?
19. What are the markets that your firm operates in and how did or do you go about cultivating the business relationships in these markets?
20. How much importance do you place on networking in order to internationalise your business?
21. How would you describe your attitude toward international activities and would you say this has successfully assisted your firm in its internationalisation?

## 8.2 Appendix 2: Consent Form



### Consent Form for questionnaire for learners

University of the Western Cape

**Title: Key success factors for Internationalised Inbound Tour Operators in the South African Travel and Tourism Industry**

**Researcher: Luke McMahon 2330472**

**Please initial box**

1. I confirm that I have read and understand the information sheet explaining the above research project and I have had the opportunity to ask questions about the project.
2. I understand that my participation is voluntary and that I am free to withdraw at any time without giving any reason and without there being any negative consequences. In addition, should I not wish to answer any particular question or questions, I am free to decline. (If I wish to withdraw I may contact the lead researcher at any time)
3. I understand my responses and personal data will be kept strictly confidential. I give permission for members of the research team to have access to my anonymised responses. I understand that my name will not be linked with the research materials, and I will not be identified or identifiable in the reports or publications that result for the research.
4. I agree for the data collected from me to be used in future research.
5. I agree for take part in the above research project.

\_\_\_\_\_  
Name of Participant                      Date                      Signature  
(or legal representative)

\_\_\_\_\_  
Name of person taking consent                      Date                      Signature  
(If different from lead researcher)

\_\_\_\_\_  
Lead Researcher                      Date                      Signature  
(To be signed and dated in presence of the participant)

*Copies: All participants will receive a copy of the signed and dated version of the consent form and information sheet for themselves. A copy of this will be filed and kept in a secure location for research purposes only.*

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### 8.3 Appendix 3: Coding List

CONCEPTUAL THEME	CATEGORY	SUB-CATEGORY	CODE
<b>Key Success Factors (KSF) of Tour Operators in Travel and Tourism industry</b>	Market Responsiveness	<b>Internet based interaction with customers</b>	KSF-MR-IB
		<b>Forging Sustainable Relationships</b>	KSF-MR-SR
		<b>Focusing on Target/Niche Markets</b>	KSF-MR-TM
		<b>Flexibility and Freedom of Choice</b>	KSF-MR-FF
		<b>Technological Changes</b>	KSF-MR-TC
		<b>Lobbying with Government</b>	KSF-MR-LG
		<b>Pricing and commissions to agents</b>	KSF-MR-PC
	Utilization of Resources	<b>Knowledgeable Staff</b>	KSF-UR-KS
		<b>Harnessing the power technological resources</b>	KSF-UR-TR
		<b>Staff training &amp; skills development</b>	KSF-UR-ST
		<b>Use of Suppliers</b>	KSF-UR-US
	<b>Tour guides</b>	KSF-UR-TG	

		<b>Infrastructure and Financial Resources to facilitate growth</b>	KSF-UR-IFR
	Management & Control	<b>Detailed Marketing Material about products</b>	KSF-MC-MM
		<b>Internal Communication and Corporate Culture</b>	KSF-MC-ICCC
		<b>Quality Control</b>	KSF-MC-QC
		<b>Financial Stability</b>	KSF-MC-FS
		<b>Implementing Robust Operational Systems</b>	KSF-MC-OS
<b>Key Success Factors enhance Competitive Advantage</b>	Stability and Business Continuity	<b>Stable Ownership &amp; Staff Compliment</b>	KSF-SBC-SOSC
		<b>Belonging to Group Structure</b>	KSF-SBC-GS
		<b>Proven Track Record &amp; Brand</b>	KSF-SBC-PB
	Superior value proposition	<b>Differentiated Product Offerings</b>	KSF-SVP-DP
		<b>Low cost Offerings</b>	KSF-SVP-LW
		<b>Service Quality</b>	KSF-SVP-SQ
<b>Key Success Factors influence Growth</b>	Adapting to change in the industry	<b>Tourism Market Growth</b>	KSF/IG-AI-TMG
		<b>Infrastructure and Financial Resources to facilitate growth</b>	KSF/IG-AI-IFR
	Managing business	<b>Business Setbacks and Progress Points</b>	KSF/IG-MG-

	growth		SP
		<b>Management Style</b>	KSF/IG-MG-MS
<b>Growth occurs through internationalisation</b>	Location to Foreign Markets	<b>Physical Interface</b>	G/I-LFM-PI
		<b>Affiliate Offices</b>	G/I-LFM-AO
	Contact with Foreign Markets	<b>Internet-based communication and transactions</b>	G/I-CFM-IB
		<b>Tradeshows</b>	G/I-CFM-TS
		<b>Strong home ties</b>	G/I-CFM-HT
		<b>Referrals (Word-of-Mouth)</b>	G/I-CFM-RF
<b>Internationalisation Strategies are influenced by IEO</b>	Marketing	<b>Intermediary Marketing</b>	IS-M-IM
		<b>Internet Marketing</b>	IS-M-IM
		<b>Affiliate Representatives</b>	IS-M-AR
	International Standards	<b>Service Quality Control</b>	IS-IS-SQC
		<b>Risk Management</b>	IS-IS-RM
	International Distribution	<b>Networks and Tourism Associations</b>	IS-ID-NTA
		<b>Internationals Sales Initiatives</b>	IS-ID-ISI